

AUTOMOTIVE EXECUTIVE

OFFICIAL
PUBLICATION
OF THE NATIONAL
AUTOMOBILE
DEALERS
ASSOCIATION

September 1983, Volume 5, Number 9

CONTENTS

NADA CODE OF ETHICS: A BLUEPRINT FOR IMPROVING DEALER IMAGE
FINANCE & INSURANCE



Action.

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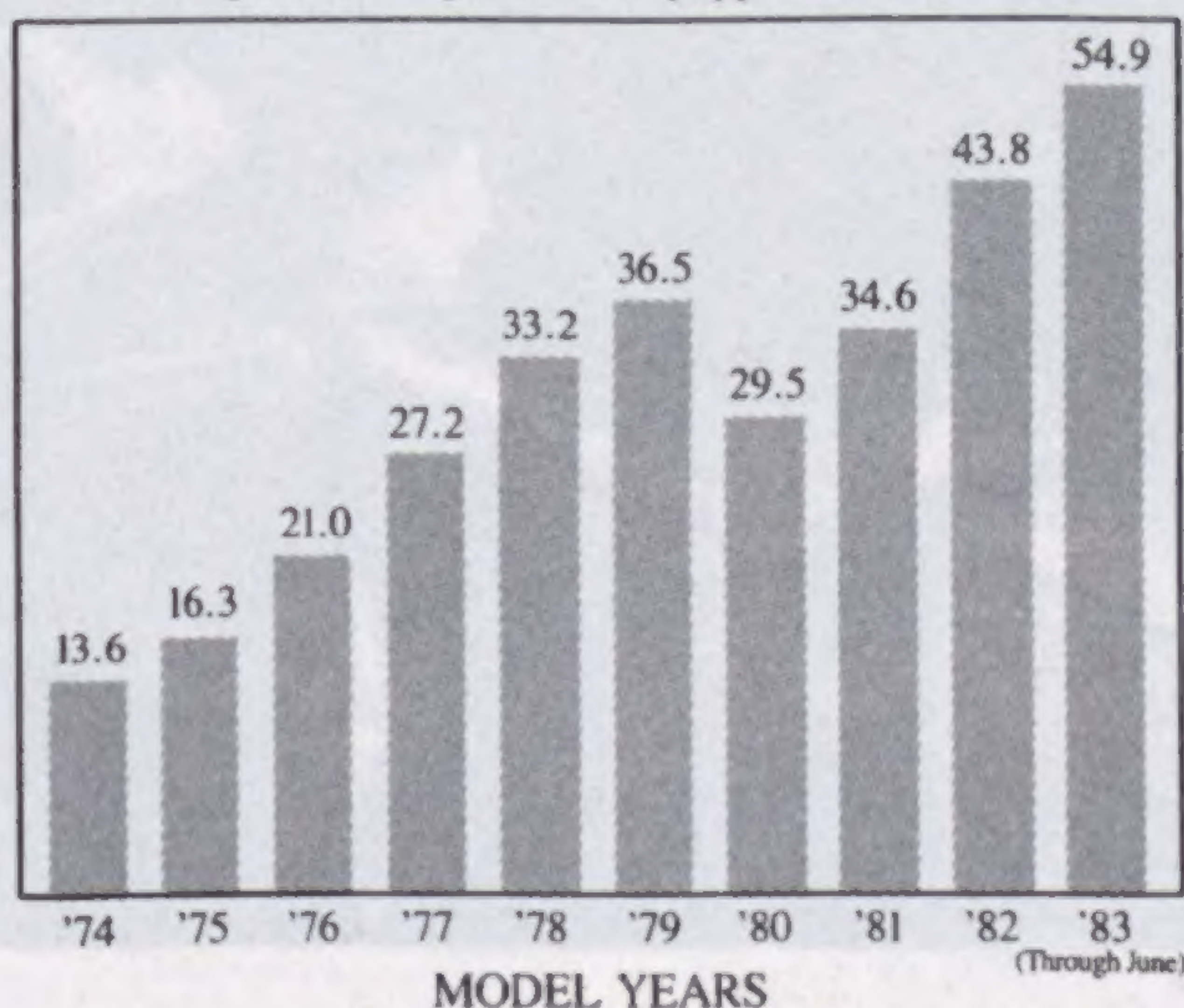
5115 Oak Street, Kansas City, MO 64112

Not available in all states.

(For more information circle #25)

Tilt-Wheel means Business.

Percentage of GM light trucks equipped with Tilt-Wheel.



Over 50% of the GM light trucks
being built today are Tilt-Wheel equipped.
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the demand?

Tilt-Wheel Steering
SAGINAW STEERING GEAR DIVISION, GENERAL MOTORS CORPORATION

What could be more basic to selling light truck comfort?

Sometimes insurance alone isn't enough to survive a disaster



For instance...do you have duplicate records in case yours are destroyed? Where would you conduct business until new quarters were ready? Or would you just let your customers go to competitors? Has your insurance kept pace with inflation?

In short, planning now makes it a lot easier to cope with a possible disaster later.

Disaster survival and business interruption tips like these are among the many we've acquired in our 80-plus years of serving businesses like yours. They're part of our professional approach to

insurance management. An approach that includes loss prevention right along with loss protection.

We can provide this same kind of expertise in all areas of insurance: property/casualty, liability, group health and accident, workers comp., even life and retirement plans (in some states). Total coverage for your personal as well as your business needs. And all at an affordable price.

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"Taking the worry out of your business... and your life."

BEST's Rating A+ Excellent

(For more information circle #1)

NADA Commentary

H.R. 1415

Is there any business subject more important to you than legislation to eliminate unfair fleet subsidies?

We think not. Our mail, telephone calls and face-to-face meetings with dealers convince us that manufacturer subsidies to fleet purchasers remain your single greatest economic threat. And you *all* share that concern.

Now, we've found a way to put the issue before people who can help. And the keys to success are your own congressional representative and our anti-fleet subsidy bill, H.R. 1415.

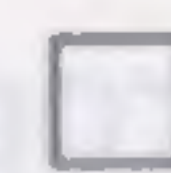
Rep. Gene Taylor has introduced the bill. Now, we need your individual help in developing congressional cosponsors and in forcing hearings on the measure.

As a constituent, only you have the clout to get the facts before your own representative. You have built-in credibility to seek legislative support on this measure, and you have the hometown channel to make it happen.

It's a tradition as old as our country.

To paraphrase one of the founders, now is the time for dealers to come to their own aid.

Our success—and your future business—may depend upon it.



*In your 1983 business insurance
you may secure more protection
and greater savings than ever!*

DISCOVER



**Fireman's Fund's Special Insurance for Auto Dealers Only
Arranged by PDP GROUP/Marketed by FAMEX**

You'll be hearing a lot more about DEALER-GARD . . . throughout the auto industry. And, very soon, it will be available in most states.

Fireman's Fund has concentrated years of experience writing dealer insurance into the creation of this newest . . . most complete . . . program. It's so precisely targeted to auto dealers that it is offered exclusively to franchised dealers.

This is much different from other packages which try to fit the unique needs of auto dealers into a general program.

There are important coverage and rating improvements. Plus other features. DEALER-GARD is an enormous step forward in answering your exact needs in the areas of:

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- Liability

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- Rental
- Leasing
- Other necessary coverages for complete protection

DEALER-GARD simply makes your program that much better. We're very proud of DEALER-GARD. It's been a major undertaking and will benefit auto dealers significantly.

DEALER-GARD is the result of PDP GROUP (your marketing coordinator) and Fireman's Fund working together.

Soon the DEALER-GARD/FAMEX affiliated representatives will be making presentations. We invite you to compare what DEALER-GARD offers to any other insurance program.

We're sure you'll be pleasantly surprised at how much it can help you.

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RIGHT NOW!**



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VBPA

On the cover: The curtain rises on NADA's new code of ethics. Illustration by Larry Paine and Associates, Bethesda, MD.

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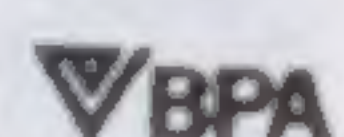
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Other Voices

Praise for the Truck Dealer of the Year

Your article on Rick Warner (July 1983) truly represents an American success story. I have known Rick for years, and his reputation and credibility are well-known throughout the Intermountain West.

Rick Warner has taken what was once a relatively small operation and has turned it into an expansive dealership. His success, however, is not limited to the automobile business. Rick is certainly one of Utah's most respected citizens because of his willingness to help make his hometown a better place to live. He provides untold hours of service which directly benefit that community. I am sure that Rick and his family will have many more years of personal and business success because of the service orientation they exhibit in all they do.

Orrin G. Hatch (R-UT)
United States Senate
Washington, DC

Reading the July issue of *Automotive Executive*, I was extremely pleased to learn that Rick Warner, president of Rick Warner Ford and Rick Warner Truckland in Salt Lake City, UT, has been named the ATD-Business Week Truck Dealer of the Year. I congratulate the judges on their excellent choice.

An integral part of not only the Salt Lake City business community, Rick Warner Ford/Truckland has attracted loyal customers from areas beyond the state of Utah. His thriving business is due in no small part to his outstanding management skill, hard work and ability to motivate and develop merchandising talent among his employees. Moreover, he is a well-respected member of the community, actively involved in church and civic service.

It was good to see the national spotlight focused upon this distinguished automobile/truck dealer. I join in honoring him on this occasion.

Dan Marriott (R-UT)
U.S. House of
Representatives
Washington, DC

Drunk Driving

Your June NADA Commentary, "Dealers Against Drunks," was particularly timely at our dealership. As you can see by the following letter sent to all employees, we were victims of the drunk driver. Our letter is just one way of trying to make everyone aware of the seriousness of D.W.I.

"Open Letter to All Employees:

"We had an unfortunate event occur over the Memorial Day weekend. One of our company-owned vehicles was involved in an accident and the driver of our car was arrested for D.W.I. Both cars were totaled; fortunately no one was injured. However, many unfortunate events came out of this accident. The driver of our car was put in jail and had to remain there until bail was raised. Under the circumstances we were forced to discharge the employee involved as we could not allow him to continue to drive a company vehicle on company insurance.

"D.W.I. laws are here to stay. Public opinion is against the drunk driver.

"I know we all work hard and occasionally like to party. That's fine, but if you do, don't drive. Years ago I made an offer to all employees, that if you find yourself wondering if you should drive your company vehicle, or any vehicle, home, don't! Take a cab and the company will pay your cab fare. No questions asked!

"This offer still stands."

William Zikakis
Bill Zikakis Chevrolet &
Imports Inc.
Ithaca, NY

Editor's note: The Insurance Institute for Highway Safety reports that the city of Anchorage, AK, has taken a unique approach to D.W.I. offenders. The city has adopted an ordinance that would permit judges to impound for a set time period vehicles driven by persons convicted of driving under the influence of alcohol. The city statute would also allow judges to order convicted drivers to forfeit their cars permanently if they have been convicted of the same offense within the previous five years.

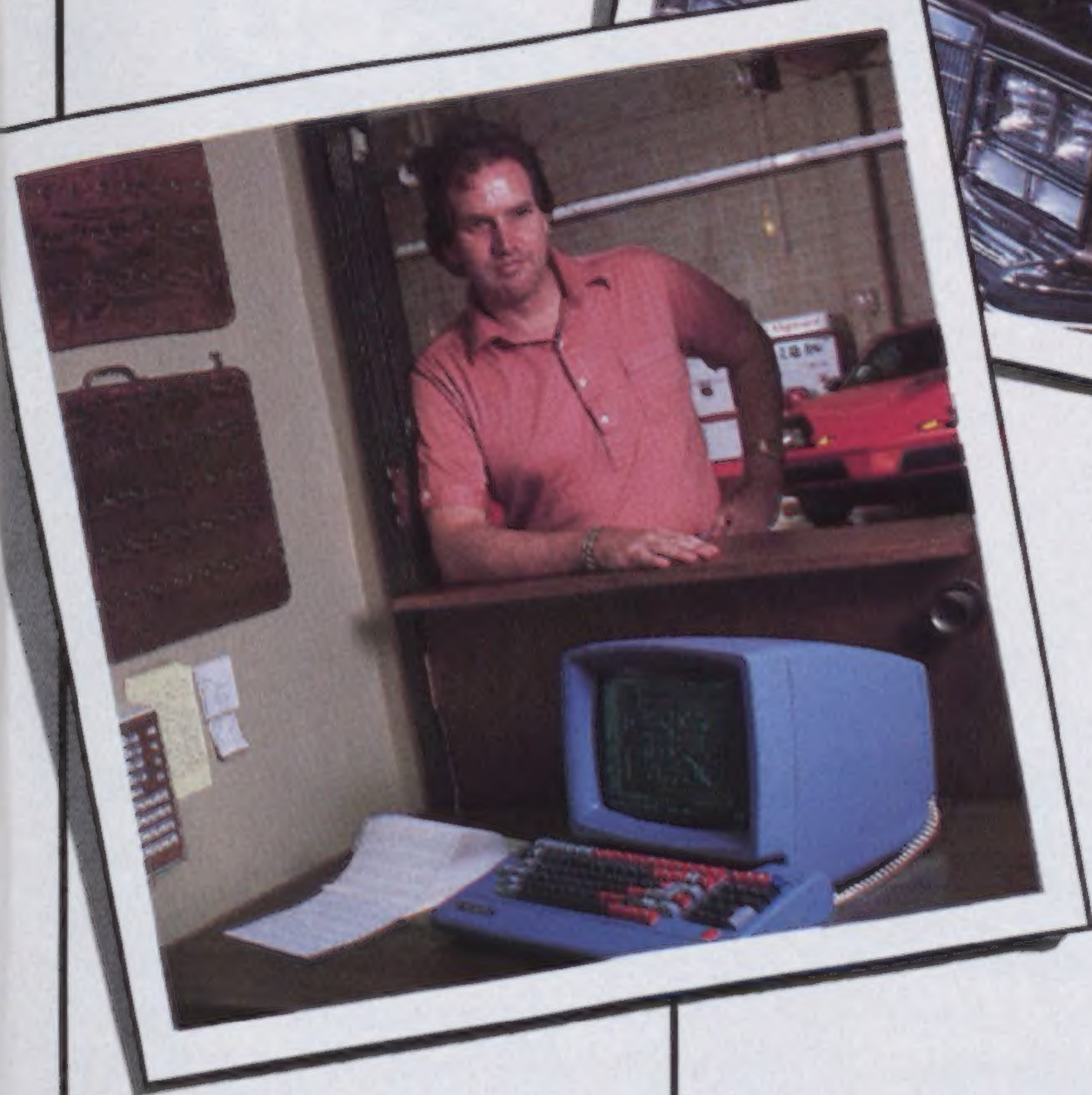
GOOD SERVICE MAKES GOOD SENSE

In January of this year we were introduced to Tricom's Tri-Freedom I dispatching system. In a period of only six months with Tricom we have increased our service department gross profit by an additional 10 percent. We are looking forward to even greater increases when the installation of our Tri-Freedom II system is completed.

The service provided by the entire staff of Tricom has been outstanding and we have found them to be no further away than the nearest telephone.

*Dana Martin, President, Martin Cadillac
Los Angeles, California*

Dana R. Martin



When you relocate and build a new dealership, as we did, everything doubles . . . personnel, overhead and, thank goodness, business. You really find out the value of a computerized system, and you really can't beat the Tri-Freedom as a service system. In addition, Tricom's organization is first rate—their people are always there when you need them.

*Frank Clark, Vice President and General Manager
Ozzie Davis Pontiac-Toyota
Dublin, California*

Frank Clark

The Tricom system manages our time rapidly and efficiently and results in increased profits. Our customers know that this means promise times that are accurate and appointments that can be kept. Our operation has greatly improved and our control of shop loading, dispatching, hold for parts, appointments and all other areas of importance is remarkable. We like the Tri-Freedom I so much that we have ordered the Tri-Freedom II and can hardly wait for it to arrive.

*Walter McRae, President, Duval Motor Company
Jacksonville,
Florida*

Walter McRae

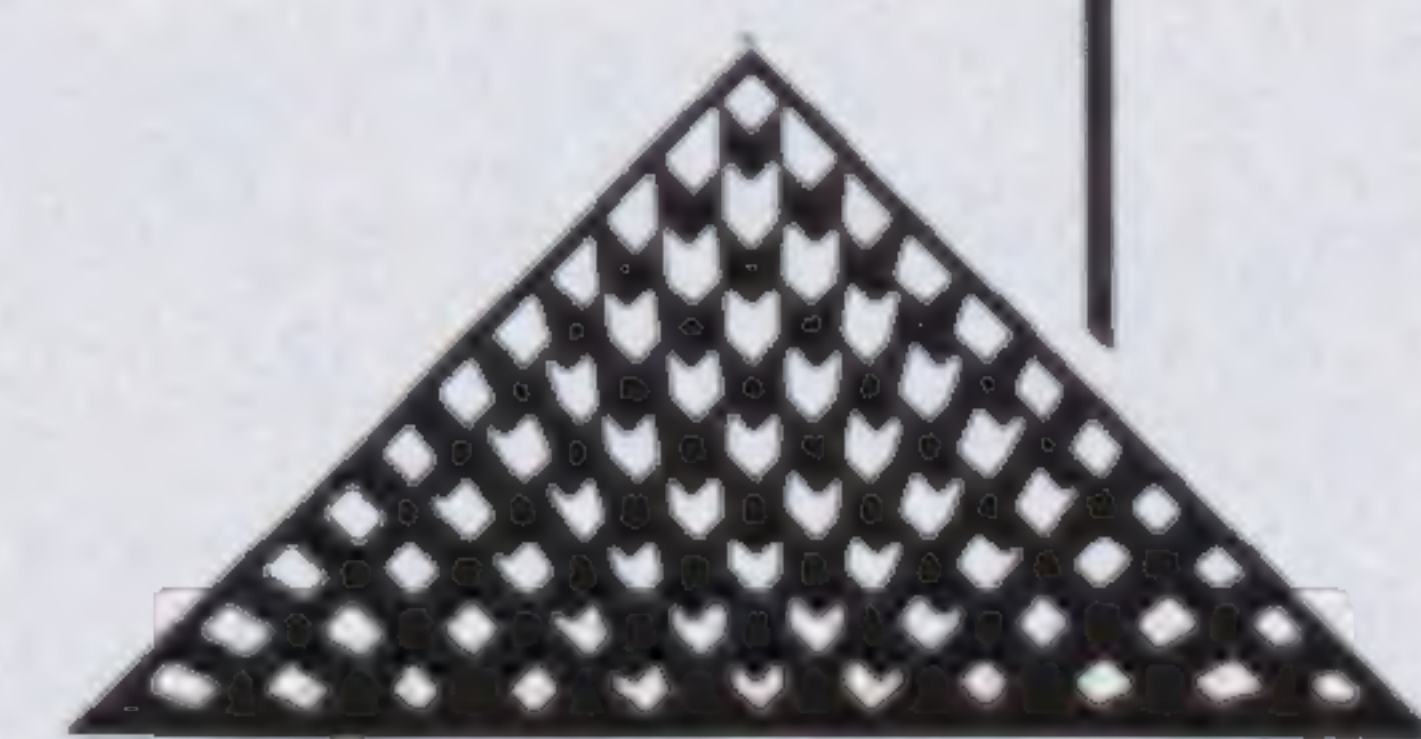


Tricom's Tri-Freedom systems offer the continuous support and quality assurance you need to manage a profitable and efficient service department.

Support and Training. Tricom's installation specialists show you and your department how to make the most of your Tri-Freedom system and how to incorporate it in an overall service management approach. As specialists in the automotive field, we know what your shop needs to reach its full potential.

Quality Assurance. Tricom's Quality Assurance team is dedicated to providing continuous training, service and management consulting programs that are tailored to your specific, growing needs. Our toll free lines are open 24 hours a day to answer questions on the Tri-Freedom systems.

Increased Profits. Tricom's systems offer greater customer satisfaction and increased bottom line profits that will make your service center the number one profit center in your dealership. To arrange for your personal consultation, call: (800) 621-6977 Outside California, (800) 621-9579 Inside California.



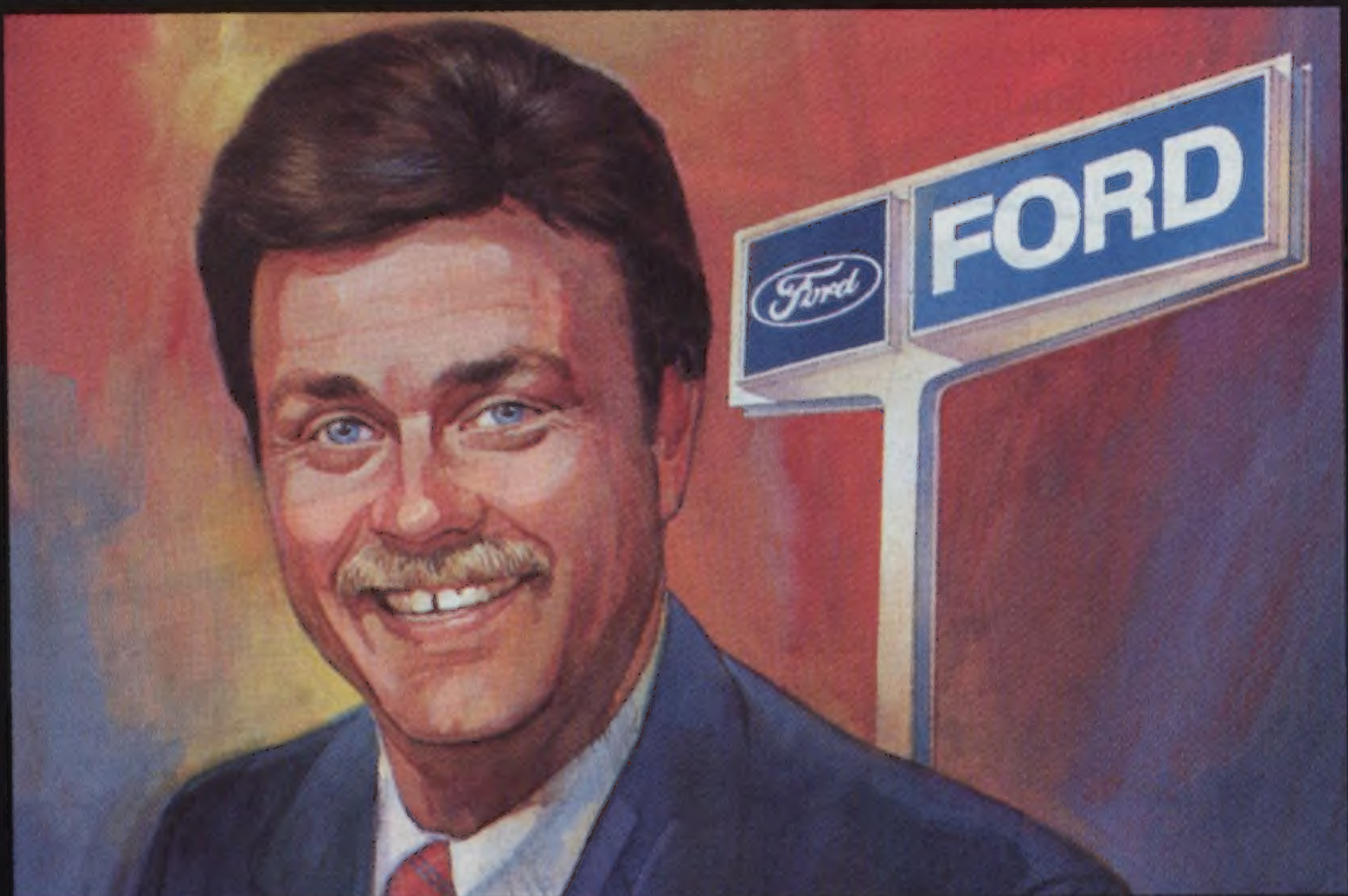
TRICOM

3364 Arden Road, Hayward, California 94545

(For more information circle #24)

dealstro

Mike Moore, President and General Manager,
One Moore Ford, North Little Rock, Arkansas.



"Because of our commitment to E.S.P., the Lifetime Service Guarantee is going to fit like a glove on a hand.

Buying E.S.P. limits a Lifetime Service Guarantee customer to a one-time \$25 deductible on covered repairs. From that time forward for as long as he owns that new vehicle, he pays nothing for a repeat of that repair. The initial investment with E.S.P. could be a lot less than the first repair by itself. So the customer will realize that having both the Extended Service Plan and the Lifetime

Service Guarantee is a terrific deal. And that's very strong, marketing-wise."

"I believe having good owner relations is the key element in selling today.

If you market customer satisfaction, you are going to have the inside track in your area, no matter where you are located. It is only those dealerships that are very consumer-oriented and deal with the customer on a personal basis and give him perceived value, that are

going to be getting future business. And the Extended Service Plan and the Lifetime Service Guarantee both lead to customer satisfaction."

"The whole philosophy of our dealership is built on the E.S.P. philosophy — taking good care of the customer.

When we realized the fact that E.S.P. resulted in fewer complaints and a dramatic increase in customer satisfaction, we just adopted the philosophy of standing behind the product totally and taking care of that customer

Strong marketing

Ford's Extended Service Plan tied in with the new Lifetime Service Guarantee makes a real **strong marketing program for your dealership."**

long-term throughout the dealership. Whether he was purchasing parts or purchasing a vehicle, just stopped in to get directions or whatever, we wanted him to feel like he was just very important here, and we would do all we could to take care of him. We've carried the E.S.P. philosophy over into everything we do. The result: In surveys taken over the last year and a half, 77% of our owners said they would buy their new cars here."

"The reason we're so committed to E.S.P. is it has so many benefits to the dealership.

For one thing, it's very profitable in dollars generated. We can attribute a lot of our customer-pay service work to E.S.P. sales. Actually, I believe E.S.P. has carried us through the tough times. It's helped us keep our good employees. It has made our parts business and our rental car business stronger. It's cut down our insurance costs, because of less exposure with customers driving demos. And most important of all, it has enhanced our

owner loyalty. I believe the combination of the Lifetime Service Guarantee and the Extended Service Plan is going to make our whole marketing program even stronger."

The Lifetime Service Guarantee means participating Ford and Lincoln-Mercury Dealers guarantee their service work for as long as the customer owns his car. He pays for a covered repair the first time. And if it ever has to be fixed again, the repairing Dealer will fix it . . . free. This limited warranty is free. It covers vehicles in normal use. Not covered are routine maintenance parts, belts, hoses, sheet metal, and upholstery.



Ford Parts and Service Division



Executive Notes

Dallas awaits. The site of NADA's 1984 Convention and Exposition, to be held February 4 to 7, will be Dallas, TX, a vibrant and growing city. This is the first year Dallas has hosted an NADA convention, and attendees will surely be impressed with the city's fine convention facilities, hotels and restaurants.

Early registrants (through December 23) will receive a discount on their registration fee and can be assured of accommodations in the hotel of their choice. A registration form and an article on the city of Dallas appear elsewhere in this issue of *Automotive Executive*. ■

Ford announces dividends. The board of directors of Ford Motor Co., which suspended quarterly dividends in the first quarter of 1982, recently declared a third-quarter dividend of 30 cents a share on the company's outstanding stock, payable September 1 to stockholders of record August 2.

"This action," said Philip Caldwell, chairman of the board, "has been made possible by substantial reductions in operating costs achieved over the past 3½ years which has resulted in a much leaner, more efficient company, and by the success of the company's new products this year. Restoration of the dividend also reflects the board of directors' confidence that recent improvements in the economy and automotive sales will continue." ■

Dandy awards. The Newspaper Advertising Bureau is now taking entries for the 11th Annual Dealer Automotive Newspaper Display Advertising competition. Popularly known as the DANDY awards, this competition honors the best automotive dealer advertising in daily newspapers during 1983.

There are several categories in which to enter ads, which can cover any aspect of the business. The deadline for entries is November 23. For more information, contact the Newspaper Advertising Bureau Inc., Detroit Regional Office, 280 N. Woodward, Suite 206, Birmingham, MI 48011; (313) 642-9200. ■

Toyota aids consumers in use of child safety restraint seats. Toyota has become the first manufacturer to equip its entire line of provisions for the easy installation of rear child-safety restraint seats.

All 1983 Toyota cars feature an anchor nut built into the sheet metal panel behind the rear seat. With the turn of a bolt, an anchor bracket can be installed for securing the top strap of a child safety seat; the owner no longer has to attempt makeshift holes to secure the bolt.

In addition, to encourage the use of seat belts and child safety restraint seats, Toyota recently began providing a free safety seat to each newborn child of a Toyota employee. ■

Mack launches new program. Mack Trucks Inc. has launched a new nationwide program called Bulldog Parts and Service Protection. The program, initiated in April, involves an intensified commitment to parts and service assistance for all Mack customers, and features a new toll-free number that pro-

vides referral to the nearest Mack facility in case of a special need or breakdown. Nearly all of Mack's distributors, branches and service dealers are participating in the program—a number totalling more than 700 outlets across the U.S. ■

Ford's new Mark VII. Ford Motor Co.'s 1984 Mark VII is the most aerodynamic premium automobile built in America, with a drag coefficient rating of .38.

The new luxury coupe is the first car in the U.S. to use flush-mounted integrated headlamps and a unique electronic three-way leveling air-spring suspension system. Available in three models, the Mark VII is powered by a 5.0-liter V-8 engine with a fourth generation electronic controls system (EEC-IV). A 2.4 liter, 6-cylinder turbocharged diesel engine option will be available later in the year. ■

U.S. auto production way up. Figures released by the Motor Vehicle Manufacturers Association show that auto production in the U.S. was up 13.1 percent in May 1983 compared with May 1982. For the first five months of the year, 1983 production was running more than 21 percent ahead of 1982. ■

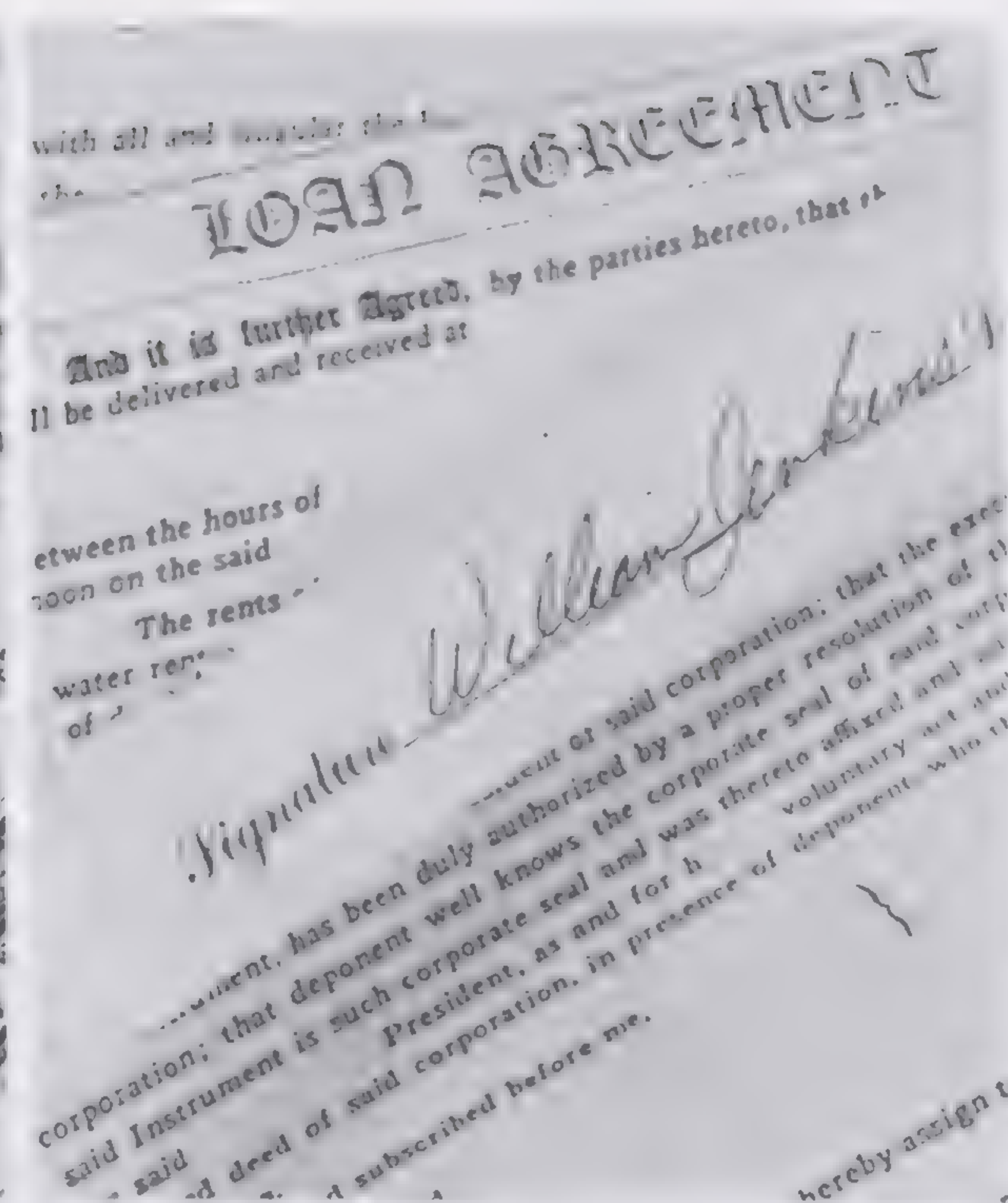
Trouble-Shooting Contest announced. Chrysler/Plymouth and the American Automobile Association will be cosponsoring the Plymouth-AAA Trouble-Shooting Contest, a nationwide interscholastic auto mechanic student competition. The 1983-84 competition, which will involve 200,000 students in more than 2,500 high schools in all 50 states, is designed to test students on state-of-the-art auto service. Entry information will be made available to schools this fall.

A.C. (Bud) Liebler, general marketing manager for Chrysler/Plymouth, says that "The Trouble Shooting Contest is a major incentive for talented high school students to become auto service technicians, a field where there is both opportunity and a real need."

George Giek, AAA's managing director of automotive engineering and road services, adds that, "The contest is another step in our efforts to improve the quality of auto repairs and upgrade the technical competence of auto mechanics." ■

Two directories now available. The Automotive Service Industry Association (ASIA) has just published a new edition of its "Buyers Guide and Product Directory," which lists the products and services provided by ASIA manufacturers, remanufacturers, affiliated suppliers and manufacturers' representatives. Copies are \$10 each from ASIA, 444 N. Michigan Ave., Chicago, IL 60611; (312) 836-1300.

The "1983 Membership Roster and Trade Directory" of the Automotive Parts Rebuilders Association (APRA) has been released also. The directory lists 796 production rebuilders; also included are separate listings of 251 manufacturer-suppliers, core suppliers and manufacturer representatives serving the rebuilding market. Copies are available for \$55 each from APRA Headquarters, 6849 Old Dominion Drive, Suite 352, McLean, VA 22102. □



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(For more information circle #28)

An Old Tax Friend Becomes Better—S Corporation

Every now and then, Congress comes up with a better tax idea. Our Washington representatives deserve a standing ovation for passing the Subchapter S Revision Act of 1982. In general, the new law is much simpler than the old law, but has some mean streaks of complexity. It gives every taxpayer a near perfect tax tool—it can help you and, when used properly, it will not hurt you.

In a nutshell: An S corporation allows the corporation to be taxed as a partnership. The corporation limits individual stockholder liability, but it is not taxed, acting only as a conduit, just like a partnership. Each shareholder (just like a partner) includes on his return, on a pro-rata basis, each item of income, loss, deduction or credit of the S corporation that can affect the computation of his taxability.

An S corporation is capable of performing an almost endless variety of tax-saving tricks. Following are some of the more important ones.

Early losses of new business: Early losses of a new business can be used to offset the stockholders' income. Here's how. Since most new businesses lose money in the beginning, a high-bracket taxpayer can deduct these losses by owning the S corporation stock. This should become standard operating procedure when starting a new business.

Profits to low-bracket taxpayers: The pass-through of earnings each year makes a profitable S corporation an attractive method of income-splitting among family members. By gifting stock to family members in low tax brackets, the overall tax impact on the family can be lowered substantially.

Voting control: Here's a new opportunity created by the Act, which now allows voting and non-voting stock. While profits are shared based on the number of shares owned, you can control the management of the corporation totally through ownership of (a) the majority of voting stock or (b) through a voting trust.

Shelter investment income: Under the new rules an S corporation can be used to shelter investment activities from taxes. Follow these steps: Transfer passive investments, which yield the likes of dividends and interest, to an S corporation. The transfer can be tax-free. The corporation would issue two classes of stock. The voting shares would be retained by you and your spouse. Gift of the non-voting stock would be made to the low-bracket family members (usually children or grandchildren, but adults—such as a mother or father—should not be ruled out). A husband and wife can gift up to \$20,000 per year without gift tax consequences each year to each donee (person receiving the gift).

Different family objectives: You could have more than one S corporation to accomplish different family objectives. For example, low-bracket children or grandchildren would own stock in the S corporation with taxable income investments. On the other hand, if the S corporation owned tax-exempt investments, 12 shareholders might be your high-bracket children, for exam-

ple, a son or daughter who is a successful doctor.

Avoid technical tax traps: An S corporation can be used to avoid a host of tax traps including unreasonable compensation, the personal holding company tax and removing the corporation as part of a high-taxed multiple corporation group.

The opportunities for using an S corporation to save taxes are bountiful. But be warned, this article does not attempt to cover all of the opportunities, rules, exceptions and tax traps. Consult with a professional. ■

Two Ways To Deduct Travel Expenses For Employees

Business travel is a part of American business life—an expensive part. It becomes even more expensive if you don't maximize your tax benefits. Okay, what is the best way to handle out-of-town travel expenses? Actually, there are two methods, and you can use the method that gives you the best tax break.

The 100 percent method is used by most employees who account to their employers for the purpose of reimbursement of away-from-home travel costs. Under this method, if you keep track of every expenditure, you can deduct every dime of your travel costs. You must have a receipt for each item that is (a) \$25 or more and (b) for lodging. If your plane tickets were purchased direct from the airlines, your tickets can be used as a receipt. Similar out-of-pocket items—cabs, tips, meals—can be combined instead of each expenditure being listed separately.

Most people don't know about the short-cut method based on a daily per diem for employees. For substantiation purposes and reimbursement from the employer, the IRS will accept a per diem amount (includes meals, lodging, laundry, etc.), not in excess of \$44 per day (whether in the U.S. or abroad), in lieu of a dollar-for-dollar (the 100 percent method) accounting for such costs (Rev. Rul. 80-62).

More than a \$44 per diem is possible. If the per diem rate authorized by the government for federal employees in the locality where the travel occurs is higher, this higher amount can be used. (For example, here are some current per diem rates: Berlin, \$86; Hong Kong, \$100; London, \$108; and Paris, \$96.)

The per diem amount does not require any further substantiation, however the elements of time, place and business purpose must be substantiated. In addition to the daily per diem allowance while away from home, the employee can be reimbursed for the cost of transportation to and from the destination. Any employee, except certain related employees under the ruling, can use the per diem arrangement. Any employee who owns more than 10 percent of the stock of the employer is considered related. □

This column is prepared as an automotive exclusive for **Automotive Executive** by Irving Blackman, a certified public accountant and attorney. All comments or questions pertaining to this column should be mailed to: Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.

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The Service Department

Body Shop Management

The dealership body shop is often considered to be a "stepsister" by the service manager responsible for its operation. It is looked upon as a necessary evil forced on him by the dealer and is, to him, a secondary priority. The majority of service managers have come up through the ranks of the service department and know very little about running a profitable body shop. Some dealerships have their body shop in a separate building or at another location, making the department even more difficult for the service manager to control.

Managing a dealership body shop does not have to be any more difficult than a service department. In fact, I have found it to be easier. You are dealing with fewer customers, quality control is easier to monitor and prices are usually firm before a job is started. In addition, personnel management is easier because body shop employees usually spend less time waiting and more time on actual repairs. The running of a body shop is similar to a service department in many respects. Scheduling is simple because the number of hours expected to be spent on a job are on the estimate. Job distribution should be tracked on a route sheet and determined by different employees' specialties. Some shops employ frame, metal and paint technicians. Others have "combination" technicians, which means they can do the metal repair and also paint.

Whether your body shop is on premises or off, someone must be assigned within the body shop to assist you in management, just as service writers or assistant service managers do in the service department. This can be a working "foreperson," or in the bigger volume shops a full-time manager. There should be one person who is responsible for supplies, tools, scheduling, job distribution, writing estimates, securing agreements with insurance companies and all the other duties required. Your own set of circumstances will determine how many and which specific tasks a working foreperson will be required to perform. Naturally, any shop large enough to require a full-time manager also requires that manager to be totally proficient.

As an extension of the service department, the body shop has the advantage of having a built-in customer body. Minimal advertising in the showroom and service reception area will help keep the body shop busy. Estimates should be written at no charge for all service customers whether they ask for them or not. Leave the estimate on the dash with a note attached saying that the damage to the car was noticed by the technicians and this estimate has been provided as a courtesy. Establish an estimate follow-up system where you regularly call customers who have had estimates written but have not had the work

performed. Sometimes a phone call can make the difference between losing or getting the job.

Do not neglect the training needed for proper body repairs on today's cars. Body design advances have matched recent mechanical changes. The manufacturers offer excellent schooling; trade associations also offer some special courses. A trade association usually provides excellent guest speakers at meetings, updates on product changes and access to equipment and supply discounts. When considering training, do not overlook the person who writes the estimates. That individual can make or break a repair job with the pen. Writing a proper estimate involves thorough knowledge of estimate guides. Quite often there are many areas overlooked on estimates such as the extra time needed to remove difficult parts and rusty bolts, glass cleaning, welding, or reapplying special paint sealants and undercoating.

The equipment recommended and available for a body shop has changed drastically in the past five years. The fields of welding and heavy metal repairs have seen the greatest improvements. The new wire welders not only restore original integrity, but cut labor times considerably. Heavy frame-straightening equipment can be used even for minor sheet metal "pulling." Multi-directional pulling can help reduce further damage to unibody design and some buckles can even be removed without direct contact to the affected areas. New paint-mixing machines allow perfect matches of any color and substantially reduce the needed inventory of paints. Naturally, some very serious training is needed to operate any equipment effectively. Training is offered at no charge through the companies that sell the equipment; technical schools also provide training.

After considering all the pros and cons about having your own body shop, you will find, as I have, that it is much more convenient. Convenience is a major factor because of the problems related to sublet body work, i.e., quality, time factors, transportation and pricing. I have found that some repairs are better performed by the body shop due to their experience. Doors, hoods, deck lids and fenders can be aligned better by a body technician. Customer confidence in the dealership is also bolstered because you can be a one-stop car shop.

A positive attitude toward the body shop is needed to make it a profit center you can be proud of. Your body shop is not a necessary evil; it is just plain necessary. ☐

This column is prepared exclusively for **Automotive Executive** by Ron Joffe, Service Director, Straub Motors Inc. All questions or comments pertaining to this column should be mailed to: **The Service Department, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3953.**

Home, Sweet Line of Credit

In the past, many homeowners saw second mortgages as a last resort for getting money for big-ticket expenses. Both lenders and borrowing homeowners had good reasons to approach this type of financing with some reluctance.

As a rule, lenders found such loan riskier than first mortgages and passed this risk on to borrowers. This meant that many traditional second mortgages were characterized by exceedingly high interest rates and potentially troubling "balloon" payments (a payment structure requiring larger payments later in the life of the loan.)

Luckily for homeowners, the surge in home values during the last 10 years has helped put a better face on second mortgages, now often called home equity loans. The increased equity makes a house a good security for the lender. And for the borrower, a home-secured loan can be large enough to cover sizable cash needs, but still be only a modest proportion of the home's value.

Strong Demand

Banks, thrift institutions, finance companies and other lenders report strong consumer demand for home equity loans. To date, homeowners have borrowed nearly \$40 billion against the equity in their homes. And this is only a small fraction of the nearly \$1 trillion that experts estimate to be the total amount of homeowner equity in the United States.

The competition for the home-equity business has led lenders to develop new styles of second mortgages that offer a mixture of features not found in traditional forms of equity financing. For example, the funds obtained with a typical second mortgage are usually in one lump sum and have interest payments scheduled monthly from the start. The new home equity loans, however, offer a more flexible approach to loan receipt and repayment.

Revolving Credit

Some lenders' plans allow borrowers to use home equity to establish a line of revolving credit. Members of Merrill Lynch's Equity Access program, for example, have complete control over the size of their loan, committing all or part of their line of credit as the need arises. Through check-writing privileges and special VISA cards, members use their line of credit when and where they desire—and for any purpose except the purchase of securities. Borrowers have the choice of repaying loans immediately or postponing repayment for up to 10 years.

And while traditional second mortgages are subject to widely varying—and usually quite high—interest rates, the Equity Access borrowing rate is never more than 2 percent above the prime. Thus, a borrower is not prey to the vagaries of interest costs usually associated with the process of shopping for a traditional second mortgage.

Other companies offer similarly flexible home equity programs. Since the revolving line of credit concept is relatively new, more variations in approach and handling are bound to emerge as more companies enter the market.

Borrowing Guidelines

Since many of the new programs do not lock homeowners into borrowing a fixed sum, it becomes all the more important for them to determine beforehand how much they can reasonably expect to repay.

One way to judge your ability to carry the additional debt is to look at your net cash flow—what is left of your income after taking out taxes, living costs and payments on other debts. A good rule of thumb is that monthly net cash flow must be at least twice the monthly payments on the home equity loan.

Another guideline: The combined payments on first and second mortgages should not be more than one third of pretax income, and total debt charges not more than 36 percent.

At the same time, the interest on a home equity loan is deductible in figuring your federal income tax, if you itemize deductions. In the early years of a loan, more than 80 percent of the monthly payments are interest.

Element of Risk

No matter how much you borrow, it is wise to remember that a second mortgage by any other name adds another layer of debt—and risk—to your home. Failure to make payments on a second mortgage can trigger foreclosure and sale of your home, even if the payments on the first mortgage have been made in full and on time.

The best defense against over-extension is sound financial management. In the context of a realistic budget, home equity loans can be a valuable resource for owners of homes who want to put all their assets to work. □

This column is prepared as an automotive exclusive for **Automotive Executive** by Bill Waters, Director of Marketing Services with Merrill Lynch, Pierce, Fenner & Smith. Reader comments and inquiries should be sent to: **Money Sense, Automotive Executive**, 8400 Westpark Drive, McLean, VA 22102-3593.

When Western Diversified Came Aboard, We Knew They Meant Business.

Jim Madden
Jerry Bridwell
Clements Chevrolet-Cadillac-Subaru
Rochester, Minnesota



Dan Roth

"With the complexity of the car business today, we knew we needed real professionals in our F&I department. We went to Western Diversified."

Clements Chevrolet, of Rochester, Minn., had a very common situation. There were many different departments that demanded top management's attention, and they knew they had neither the time nor the expertise to properly address their F&I potential. That's when Dan Roth and Western Diversified came aboard. Dan and the Western Diversified team systematically put Clements on the road to F&I success, with an aggressive, enthusiastic approach to every aspect of the job.

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Jim Madden



Jerry Bridwell



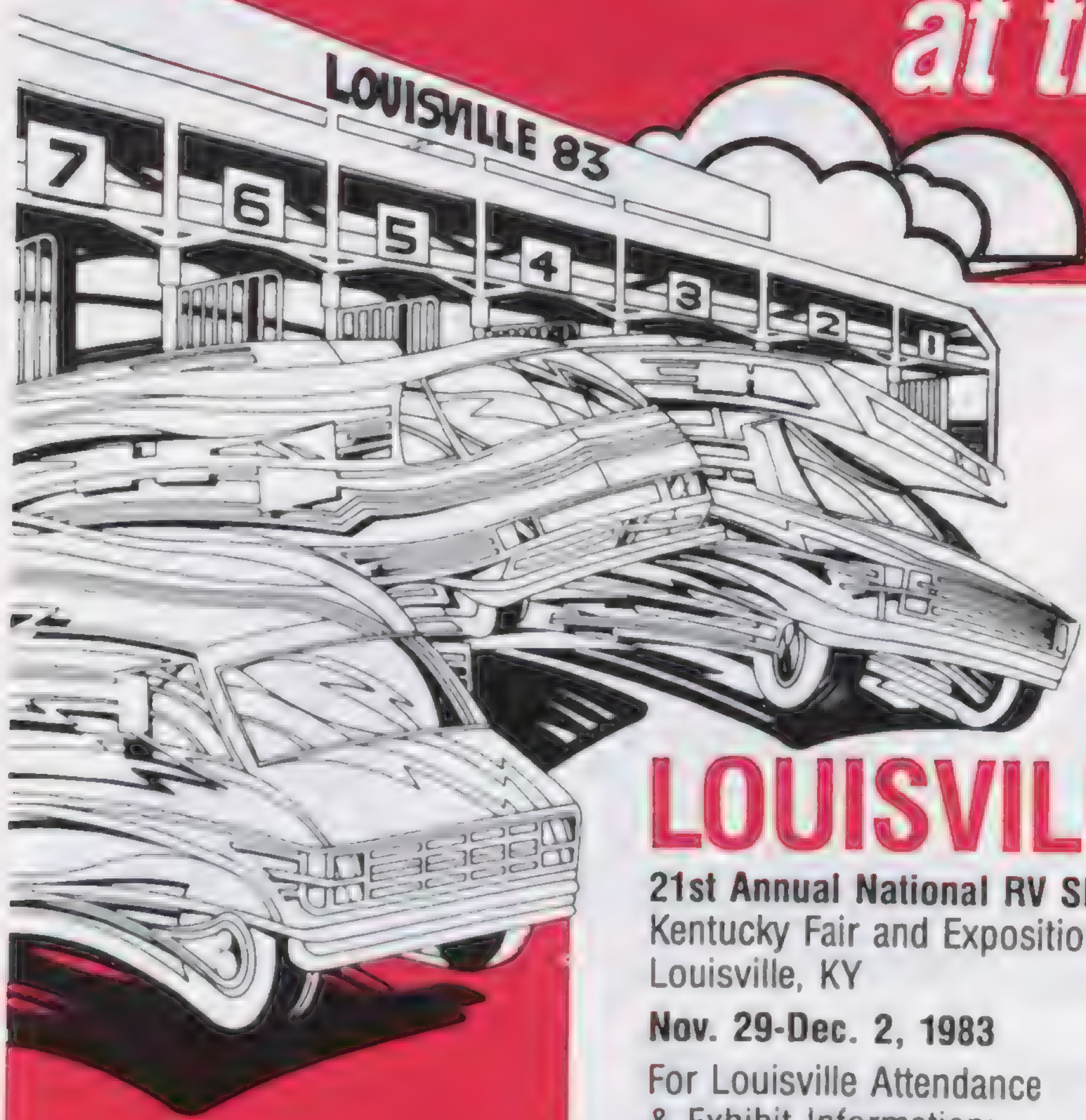
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(For more information circle #27)

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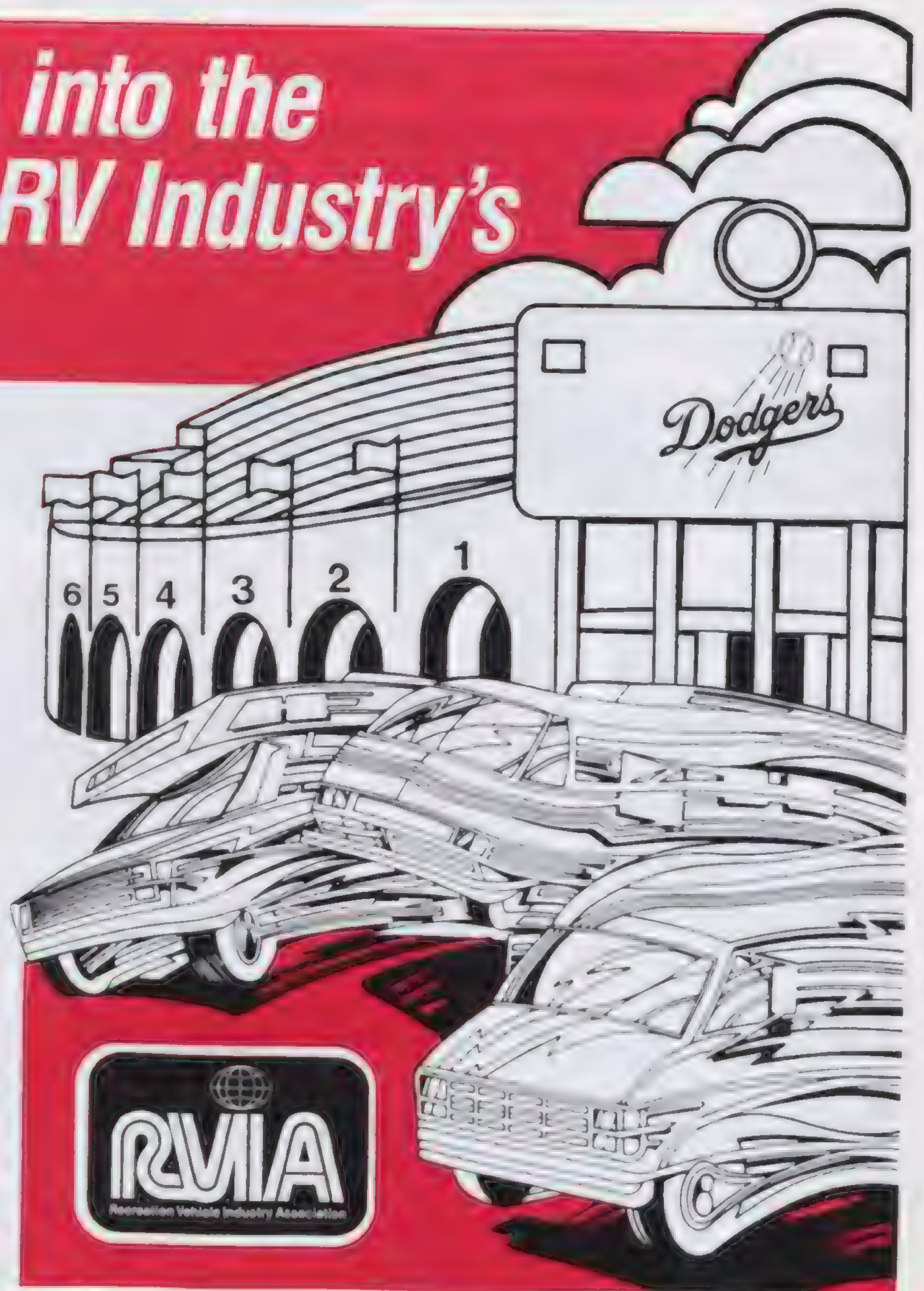
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(For more information circle #20)

Grand Hits Bull's-eye

Atin Ito! At Grand Chevrolet, a Filipino-run dealership in Glendora, CA, this native phrase, meaning "this is ours," is more than a slogan. It's a unique way of dealing automobiles.

With a philosophy of segmented marketing and shared management, owner Eminiano "Jun" Reodica has turned a failing, small-volume dealership into one of the fastest-growing GM franchises in Southern California. When Reodica bought Grand Chevrolet in 1978, sales were about 500 new and used cars per year. During Reodica's first half-year, however, sales jumped to 646. By 1982, they reached 2,452. Dollar volume leaped from \$4 million in 1978 to \$24 million last year.

"When I first came, Ford was outselling Chevrolet by far," Reodica says. "The Ford dealer across the street told me that if we got into trouble, he'd like to buy our store. But we created a market for our vehicles rather than waiting for customers to come to us. Now he's out of business."

Reodica simply defined specific markets and went after them with a passion. The first was the Asian market. Reodica estimates that more than one million people of Asian origin live in the Los Angeles area, "all of whom need transportation." With a mostly Asian staff, Grand Chevrolet appeals to this market in its own language.

The second market Grand targets is the community of Glendora. Through involvement with local civic and social groups, Grand employees build the business stature of Glendora while attracting customers for the dealership. The third market Grand goes after—groups of people with common interests—is developed the same way: by reaching out with the Grand name.

"Dynamic Sales Management"

Unlike most dealerships, Grand Chevrolet doesn't employ floor salesmen per



with Target Marketing

by Gary James

se. Its salesmen spend most of their time out in the greater metropolitan area, where the customers are. "They're constantly out in the field talking to new prospects," says Reodica. "Though we're removed from the center of the L.A. business, we're still only about a 30-minute drive from some of the area's most densely populated spots—Long Beach, Orange County, Riverside and San Bernardino. Our job is to let those people know we're here."

Reodica's salesmen maintain a complete office on wheels. Usually a briefcase carried in the car, this "office" contains sales and leasing worksheets, a used-car rating guide, a GMAC credit application, product literature, a calculator and business cards. Key, how-

ever, is the individual salesman's "directory"—a list of at least 2,000 names of potential customers.

Salespeople develop such lists from everyday contacts and connections. In his training book, "Dynamic Sales Management," Reodica lists some possible prospects: "Relatives, friends, neighbors, officemates, former customers, church groups, service clubs, fraternity members, political groups, ethnic associations, professional groups and business contacts—the list is endless. Such common bonds provide a natural sales opening."

Grand Chevrolet has also built on the traditional concept of "bird-dogging"—paying former customers and other outside sources for sales referrals. The dealership employs 30 fulltime salespeople, each responsible for building an individual "sales force." Typically they include professional acquaintances, friends, neighbors, former customers and relatives. Grand Chevrolet trains these "sub-agents" in the finer points of product and persuasion, and then helps them acquire the necessary license from the state's department of motor vehicles.

Right now, Grand Chevrolet has more than 400 licensed salespeople on its staff. Most are Filipino. Depending on the deal, a part-time sales agent makes \$25 to \$100 profit for any customer he brings in to the store. "We have doctors, dentists and other professionals selling for us," Reodica says. "Some even spend weekends here at the store, making new contacts and learning about products. They give us a reach few other dealers can touch."

Tracking and Training

Grand's full-time salesmen are divided into three teams, each under the direction of a sales manager. Teams take

Pictured at top: Eminiano "Jun" Reodica, owner of Grand Chevrolet.

turns working the dealership's showroom, so that no walk-in customers go unattended. Hours are long, from 9 a.m. to midnight most days, and constant: last year, the dealership was open for business each day of the year.

Salesmen are responsible for their own "sales force." They track prospects, follow through on leads, and close all sales. They also pay 30 percent of payoffs to "birddogs" through their contributions to Grand's advertising fund.

With so many people selling the Grand name, training is critical. Reodica expects everyone associated with the dealership to be familiar with its products and services. Fulltime salespeople, he says, must be pros in every department. "They need to understand every facet of the business—appraising, warranties, financing, service, body repair, etc. That way, when they talk to customers, they sell the whole picture. From qualifying through F&I to delivery." To keep employees informed, Reodica sponsors frequent guest speakers and other training sessions.

"You generate a much better return by investing in people rather than equip-



the Glendora police, the Filipino Town Project and the Confederation of Philippine U.S. Organizations, among others. The firm also conducts voter registration campaigns, citizenship drives and fundraising raffles. "We'll help any organization that has a good idea," he says. "Our community means a lot to us, and we try to put as much back into it as we can."

Who is Jun Reodica?

Born in Pagsanjan, a town in the Philippines, Jun Reodica almost didn't live to see his first birthday. "It was 1945, and the war in the South Pacific was drawing to a close," Reodica recalls. "Some Japanese soldiers had gone berserk, and were killing anybody they came across—mostly women and children. Several stopped my mother and me as we were fleeing our village, and knocked me to the ground. One soldier was ready to spear me with his bayonet when my mother threw herself over me and pleaded for mercy. The soldier walked away."

As a young man, Reodica distinguished himself in his studies. In 1965,

ment or inventory," he adds. "I look at every member of our staff as a potential lifetime employee. The more they know, the more successful we are."

"Many of our employees are first-generation immigrants," Reodica says. "They want to start their own businesses, but they don't have the capital." His program enables them to launch a mini-business under the Grand Chevrolet umbrella. "We sell more cars, and a good salesperson makes \$5,000 to \$10,000 more per year."

A Force in the Community

One benefit of such a project, of course, is that it would expose more customers to Grand Chevrolet. That's an ongoing concern of Grand Chevrolet's management team.

Each month, Grand publishes a 20- to 30-page newspaper, called "Atin Ito News" for the Filipino community. With news about the Philippines, stories about local Filipino activities and features about Grand Chevrolet, its em-

Reodica examines recent sales reports to uncover possible buying trends.

ployees and the car industry, the newspaper reaches 10,000 regular subscribers, and an ever-changing list of 10,000 new names. Grand also sponsors and produces a weekly radio show and a TV show, "The Grand Chevrolet Hour." An in-house ad agency handles the details.

Grand also segments its advertising like its marketing. Popular targets include a local Chamber of Commerce magazine, neighborhood publications and church bulletins. "If one of our salespeople is heavily involved with a church or a civic group, we want other members to know who he is," Reodica says.

Reodica is a strong believer in the value of civic involvement, and his dealership often pays employees' membership fees for such groups. "There are about 250 local Filipino associations," he says, "and we support each of them." Grand backs the Kiwanis, the Jaycees,

he was honored as one of the Top 10 students in the Philippines. That same year, he graduated summa cum laude from the University of East with a degree in business administration.

Reodica took a job with Colgate-Palmolive's Philippine subsidiary, and in a few years was promoted to senior product manager. Among other responsibilities, he handled the company's top product, Colgate Dental Cream, which captured a 96-percent share of the toothpaste market. Despite his success, Reodica felt he needed U.S. marketing experience. "American companies have a habit of only promoting executives with U.S. background to top spots," he says. "So I came over."

Reodica and his wife, Hilda, arrived in Chicago in November 1971, at the start of a typical winter. "We had left our two children in the Philippines, and I only had \$50 in my pocket. I bought suits and ties from the Salvation Army."

During the next two months, Reodica tried desperately to find work. "I must

have sent out 1,000 resumes and visited 50 employment agencies," he says. "All I heard was the same old story: either I was overqualified, or I lacked local experience."

Finally, Reodica wrote Steve Fuller, General Motors' vice-president of personnel administration. Fuller had taught at Harvard's Asian Institute of Management in the Phillipines, and Reodica hoped he might have some advice about how to get into Harvard's graduate school here.

"Steve came down to Chicago to talk to me, because I didn't have the money to come see him. He ended up sending me a ticket to Detroit so I could apply for a job at General Motors. They hired me as a showroom greeter—someone who hands out brochures at headquarters. I literally started on the ground floor of the company."

Soon after, Reodica was accepted into the General Motors Institute. After six months of intense training, he was promoted to district manager in GM's Los Angeles zone. "I was lucky enough to get assigned to the largest new-car market in the world," Reodica says.

As Reodica points out on this office map, customers drive from all over the metropolitan L.A. area to shop at Grand.



He had his work cut out for him. It was the middle of the first gas crunch, and half of his 12 dealers were losing money. To help them, Reodica conducted daily meetings on marketing and cost control. In the evenings, he studied zone figures, looking for ways to improve. The result? During his first year, Reodica's district won practically every one of GM's sales contests for the region.

From Zone to Zoom

One dealership Reodica helped, Terry York Chevrolet, ended up wooing him away from the zone job into the position of vice president and general manager. "For years, I had been looking at various dealerships and combining their best features in my mind to create an ideal store. Now I had my opportunity."

Several of Reodica's long-time friends and fellow Filipinos, among them, Ed Coscolluella, Rely Pio Roda and Mel Panlilio, soon joined the management team at Terry York. Trained



Reodica expects his salespeople to drum up business out in the field, rather than waiting for customers to come to them.

CPAs, they instituted the same marketing techniques that have made Grand such a success. During their three years at Terry York, they transformed it into one of the Top 10 Chevy dealerships in the L.A. area (out of 70). Total unit sales soared to 5,000 per year, and dollar sales hit \$39 million.

In 1978, Reodica bought his own dealership, and his homegrown management team followed him. Rely Pio Roda, Grand's vice-president and general manager, is a CPA who was supervising executive for Aguinaldo Enterprises in Japan. Mel Panlilio, vice president of fleet sales and leasing, worked several years with Sycip, Gorres, Velayor & Co., the largest CPA firm in southeast Asia. Industrial engineering is the specialty of Noli Gerona, Grand's controller, who was production controller for Maraveni Consolidated Mines for six years. Victor Sy, the firm's CPA, is a partner of one of the biggest Asian CPA firms in California.

What's the advantage of all this brainpower? "My staff keeps a constant eye on the bottom line," Reodica says. "We run a tight ship." That philosophy extends throughout the dealership, particularly in F&I. Because the firm does so much business with new immigrants, it opens itself up for a higher-than-normal percentage of delinquencies. But thanks to Sam Franchino, who

worked 30 years for GMAC before joining Grand, that rate is only 1.5 percent. Reodica says, "We take on a lot of high risks, but we're careful."

"The important thing is to keep after those customers who start to slip," Franchino adds. "We have one fulltime Asian field rep who follows up on a regular basis. Often our customers will talk to him, when they won't talk to an Anglo-American." With \$30 million in total retail and wholesale credit outstanding, Grand Chevrolet is GMAC's largest area account. The dealership also writes casualty and life insurance policies.

Diversifying Business

Fleet and leasing receives a good deal of attention at Grand. The firm will sell about 1,000 fleet units this year. Recently, Grand won a \$5-million bid to supply 536 cars to the police departments of L.A. County and 22 cities. "We don't make much profit," Reodica says, "but the cars are roving advertisements for our dealership." Grand also sells to Union Oil, Southern California Edison, Pacific Telephone and MCA Universal. MCA, Reodica says, is an account Grand courted for a long time. "For years, we asked them to let us come in and talk. Finally, we got our chance. We had a chance to talk to each vice president, and ended up selling 37 units."

One reason MCA went with Grand, Reodica adds, is the dealership's reputation for quality service. "They knew day or night, we'd service their cars," he says.

Among the extras Grand provides its customers is a free drop-off and pickup service. Customers can leave their cars at a Grand leasing office for service, and pick them up later that day at the same location. Grand often takes this one step further for new-car customers: it delivers cars right to the customer's home. "This gives us a chance to talk to other family members and neighbors," Reodica says. Salesmen usually follow up with a visit two weeks later to make sure there aren't any problems.

It's clear that the grass-roots approach is what entices customers throughout the metropolitan area to make the drive out to Glendora. Next year, they will have another reason. Through Grand Chevrolet and the Grand Wilshire Group of companies, Reodica and some other investors are building a new shopping center in Glendora. When finished, the shopping center will house a variety of Asian businesses, including restaurants, clothing stores, a movie theater and a Grand Chevrolet leasing office.

"We're trying to attract other businesses to our town," Reodica says. "One business builds on another." □



ETHICS

It seems to me that NADA's Code of Ethics for car and truck dealers is a practical outline for a plan of action to help move automobile salespeople up the ladder of respected professions.

A recent Gallup public opinion poll of honesty and ethical standards among 24 professions and occupations found that clergy and pharmacists are rated the highest. "At the bottom are car salesman," George Gallup comments. "They receive a positive rating of only 6 percent." Insurance salesmen, state politicians, union leaders and even Congressmen fare better.

This disappointing finding is truly paradoxical. Car and truck dealers (and salespeople) are typically among the most active participants in the civic life of their communities. Independent recognition programs such as *Time* Magazine's Quality Dealer of the Year and *Business Week*'s Truck Dealer of the Year confirm that many, many dealers are successful and conscientious business citizens.

Collectively, though, dealers seem to remain the "Rodney Dangerfields" of the marketplace. They "don't get no respect."

My experience in over 40 years as an observer of the business scene is that—accurately or not—too many consumers feel car dealers are guilty of sleazy ethics. Regardless of the lack of rationale, this feeling is a reality that you must confront.

Your executive committee refined and strengthened NADA's Code of Ethics in January. That code provides you with a timely document that outlines your principal responsibilities where ethical implications are present. They addressed each area in positive statements of commitment to proper action. A dealer's signature at the bottom of the code personalizes this public dedication. The person who owns the business has put his "John Hancock"

NADA Code of Ethics: A Blueprint for Improving Dealer Image

by Ivan Hill



on this document as a gesture of commitment.

Considering how important a dealer's reputation is to his ability to succeed, public perception of his business and personal integrity should be a priority. This goes beyond Sunday School philosophy. It's the pragmatic world of the marketplace. Ethical conduct doesn't impair your ability to show a profit. It actually enhances it.

Customers are strongly attracted to businesses which treat them fairly and honestly. Employees work harder and stay longer when they respect the integrity of their boss. Manufacturers prefer to do business with outlets whose practices conform to high ethical principals. And suppliers of dealer goods and services would rather work with people who are trustworthy.

Good ethics just make good business sense. "Sales at any cost" is indeed a costly practice when calculated in lost respect. Not counting lost customers and income.

Credibility is the key to efficient functioning of our private enterprise system. Trust is the glue binding our market system together. And a business must earn that trust through consistent business

Ivan Hill, author and retired business executive, is a recognized authority on ethics. During his long and diverse career, he headed a national advertising agency, a pharmaceutical firm, a television production company and a real estate firm.

He founded the Ethics Resource Center in 1977, where he is now president emeritus.

He edited The Ethical Basis of Economic Freedom and wrote How to Make America More Honest, both successful books. His latest writing venture, a booklet called "Common Sense and Everyday Ethics," has sold 150,000 copies. To order the latter, send \$1 for each copy to Ethics Resource Center, Inc., 1730 Rhode Island Ave., NW, Washington, DC 20036.

practices in each aspect of dealership operation.

Ethical conduct is extremely personal. Leadership by example assures you a moral tone that proves to people that dedication to high principles is genuine.

A clear understanding of ethical implications of personal actions is necessary in assessing their implications for dealers. Webster defines ethics as "a discipline dealing with good and evil with moral duty" and "conforming to accepted and especially professional standards of conduct." It's going beyond the letter of the law—to embrace the spirit of the law.

But, no matter how one defines ethics, one cannot hope to be ethical if one is not honest. Take honesty out of ethics and you get hypocrisy. While it is true that ethics involves more than

being honest, honesty is the beginning point.

Someone must act first. There is no ethics without action—constructive action. One cannot do good by simply doing no harm. Doing good is positive action.

Opportunities for the type of affirmative action I envision are enumerated in each point of the NADA Code of Ethics. Each of those items represents an area of dealership operations where dealer initiatives will demonstrate business integrity to the public.

Under each point in your code, I've made some suggestions for ethical action (see sidebar). I hope you will find these recommendations useful in strengthening your reputation with the public. I'm sure you can add to the list by adapting your code's points to your individual operations.

These are only suggestions from a non-dealer—an auto consumer—on how you can demonstrate your commitment to high ethical standards. The list is hardly complete. And, as someone intimately familiar with your dealership's operations, I'm sure you can identify appropriate activities to support your ethical goals.

The most important consideration is to recognize the importance of ethical practices and to demonstrate your rectitude to the public.

With this commitment, you take an important step in improving your own reputation in your community as well as your industry's broader public image.

Your commitment could well be one of the most important business decisions you ever make. And, it certainly could be one of your most profitable ones, too. □

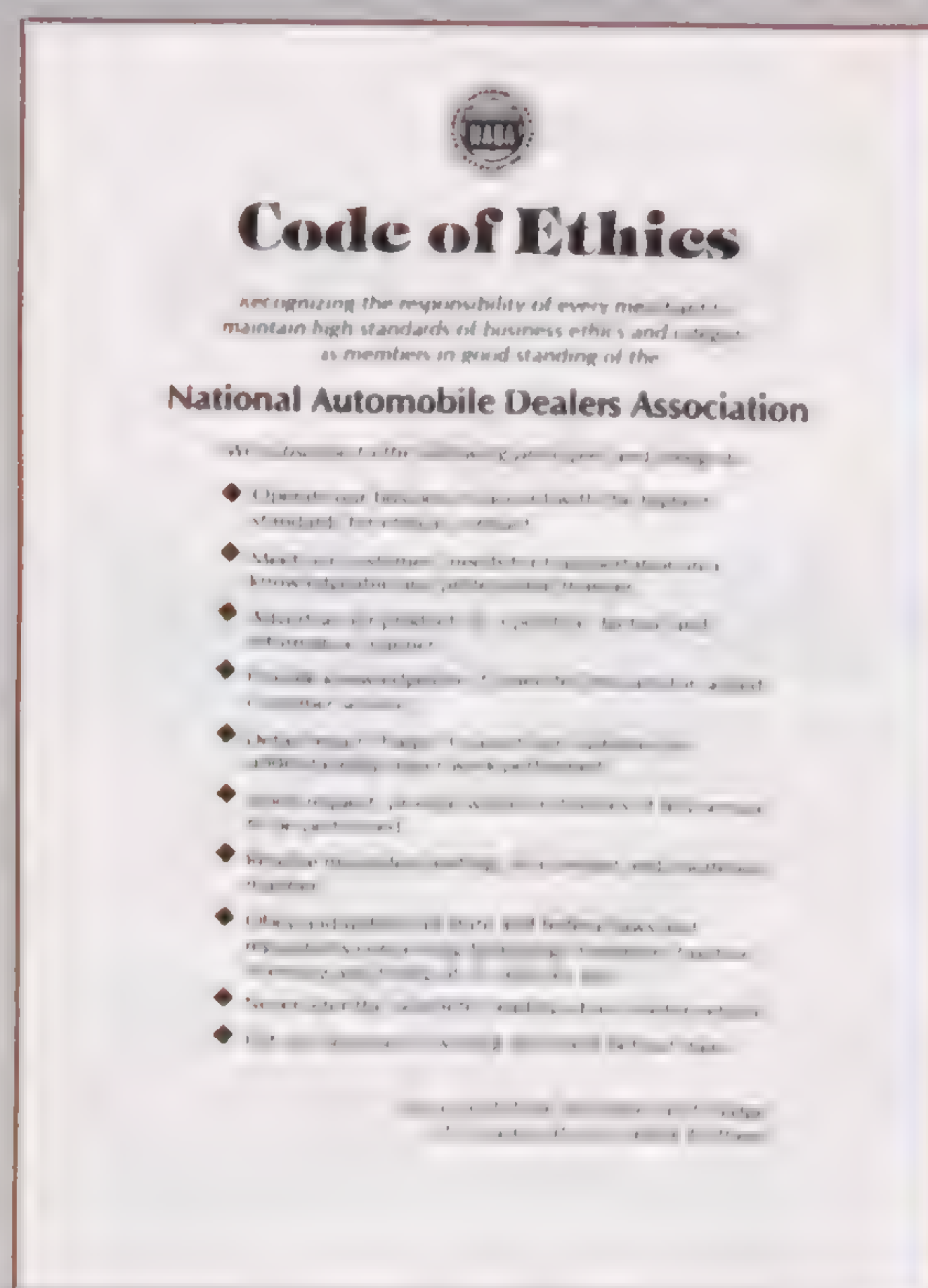
Code of Ethics

◆ Operate our business in accord with the highest standards of ethical conduct:

- Look for ways to prove to people that you are honest and forthright.
- Set a positive example of leadership in concern for ethical implications in every facet of dealership operations.
- Include discussions of ethical conduct in employee evaluations.
- Treat customers the way you like to be treated when you are a customer of some other company.
- Establish administrative procedures which adhere to high ethical standards.
- Conspicuously post the NADA Code of Ethics around your dealership to tell people of your commitment.
- Cultivate the personal bearing of a professional business person.

◆ Meet our customers' needs for transportation in a knowledgeable and professional manner:

- Hire intelligent, people-oriented employees who respect the dignity of customers and others.
- Encourage employees' participation in training programs that



Dealers wishing to display the NADA Code of Ethics can order copies from the Public Relations Department, NADA, 8400 Westpark Drive, McLean, VA 22102. Send \$2 for each copy.

keep them informed of new technologies and automotive features.

- Capitalize on opportunities to develop a sensitivity to consumer preferences. Find out what car buyers want and work hard to give it to them.
- Make factual information available to your customers in whatever detail they need.
- If operative in your state or locale, participate in NADA's window label program giving pertinent in-

formation on used cars. It is a useful device to confirm understanding of key points during the sales transaction.

◆ Advertise our products in a positive, factual and informative manner:

- Follow criteria for effective advertising, such as these established by the Newspaper Advertising Bureau, the Television Bureau of Advertising and the Radio Advertising Bureau.
- Use factual appeals which respect people's intellects.
- Avoid denigrating comments about competitors.
- Conform to applicable federal, state and local laws concerning advertising as explained in NADA's "A Guide to Closed-End Credit—Disclosure and Advertising" and "A Dealer Guide to Consumer Leasing—Regulation M."

◆ Provide knowledgeable, trained technicians for skilled customer service:

- Support mechanics' participation in professional programs such as those of the National Institute for Automotive Service Excellence.
- Encourage mechanics' participation in training programs that keep them informed of new and developing technologies.
- On some occasions, it's good to consider permitting customers to talk with the mechanic working on their car.

The Gallup Poll

A report was conducted in which 24 occupations and professions were rated by the public for honesty and ethical standards. The question asked was, "How would you rate the honesty and ethical standards of people in these different fields—very high, high, average, low or very low?"

Honesty And Ethical Standards

	Very high, high %		Very high, high %
Clergymen	63	Senators	20
Druggists, pharmacists	59	Business executives	19
Dentists	52	Building contractors	19
Medical doctors	50	Congressmen	15
Engineers	48	Local political officeholders	14
College teachers	45	Realtors	14
Policemen	44	Labor union leaders	14
Bankers	39	State political officeholders	12
TV reporters, commentators	36	Insurance salesmen	11
Newspaper reporters	30	Advertising practitioners	9
Funeral directors	30	Car salesmen	6
Lawyers	25		
Stockbrokers	21		

Code Comments

"We've found NADA's Code of Ethics to be an exceptionally useful document in identifying important activities in our dealership that have moral implications. We have posted it in several locations where customers can see it. We want people to know we are committed to high standards of fairness and that we're working hard to practice what we preach."

Jerry Richardson, president
Dub Richardson Ford Inc.
Oklahoma City, OK

"We've adopted the NADA Code of Ethics—it's terrific! All dealers and manufacturers should adhere to it. We have a framed copy displayed in our dealership and publish a running ad with the Code of Ethics on top of it."

Roger A. Sharp, president
Raleigh Motor Sales Inc.
Beckley, WV

◆ Resolve misunderstandings in a prompt and courteous manner:

- Let your customers know that a specific person in your dealership is responsible for resolving customer complaints.
- Make sure that person has an aptitude for and is trained in human relations.
- Consider complaints an opportunity to prove to a skeptic that you are genuinely committed to quality customer service.
- Read NADA's *Customer Relations: Profits, Not Problems* as a useful management guide for dealer/consumer relations.
- If the programs are operative in your area, support NADA's AUTO-CAP, AAA's Approved Auto Repair Services program or those of the local Better Business Bureaus.
- Don't insulate yourself from complaint resolution. To keep yourself sensitive, dealers themselves should participate in the process as much as is necessary. (New York City Mayor Koch has won respect for frequently asking voters "How am I doin'?")

◆ Obey and uphold all state and federal laws and regulations concerning financing, insurance, taxation, licensing and titling of all vehicles sold:

- Compliance with the law is requisite. If you have questions about legality of any practices or procedures, check with your attorney, auto dealer association,

or other knowledgeable expert.

- Make sure your employees are aware of proper procedures through bulletin board postings, educational meetings, etc.
- Support efforts of your dealer association regarding laws affecting dealership interests.

◆ Detail repair charges to assist our customers in understanding repair work performed:

- Assure that service writers work closely with mechanics so they have first-hand familiarity with work performed.
- Train service writers in human relations and complaint handling and assure it is kept current.
- Offer to provide customers with used, worn or defective parts which have been replaced.
- Avoid "insider language" when dealing with customers. Use language consumers understand.

◆ Upon request, provide written estimates of any service to be performed:

- Estimates of work should be consistent with any prevailing policies in your jurisdiction. Some states require explanations and estimates of cost be given to customers before work begins.
- Post signs in the service area letting people know about these procedures.
- Seek advance approval from customers if repair charges will exceed earlier estimates by more than a reasonable amount. Fur-

ther, a dealer should be aware that some states estimate laws may require such advance approval.

◆ Never alter the odometer reading of any motor vehicle:

- Compliance with this element is so important that it merited a separate item. In addition to being illegal, odometer tampering creates a fundamental distrust between buyer and seller that impairs a responsible business relationship.
- Support efforts to pass legislation which provides a uniform national cross-check of mileage on registration and titling records.
- Work with appropriate governmental authorities to help eliminate the practice in your area.

◆ Put our promises in writing and stand behind them:

- An important factor in consumer satisfaction during the auto sales transaction is a mutual understanding of the specific nature of matters discussed during the process. An offer to put promises in writing is an important first step in clarifying and confirming what was said.
- A letter of agreement on contract or in the repair order can enumerate what was discussed in a personal discussion as a gesture of your genuine desire to communicate with your customers. Promises become much more than just so much hot air.

AUTOCAP

New car dealers know the value of return business. And most realize the importance of word-of-mouth advertising.

But the marketplace shows that not every dealer puts this knowledge to good use. Despite a severe, three-year sales depression in the industry, complaints against new car dealers rose by 34 percent, according to a recent study by the Council of Better Business Bureaus.

Noting some 94,000 complaints involving franchised dealers in 1982, the study ranks new car dealers second only to mail-order companies in the number of complaints received from consumers.

Perhaps most damaging in terms of its potential, however, is a report from the Direct Selling Foundation, a business-oriented organization representing professional salespeople. "The average business does not hear from 96 percent of its unhappy customers," the report notes. It goes on to say that for each complaint received by an organization, some 26 other customers have unresolved problems.

Of course, statistics can be interpreted in many ways. And the nature of the auto industry and the complexity of today's cars, not to mention the vagaries of consumers' expectations, inevitably result in some customer dissatisfaction. Yet, many dealers persist in believing they have no customer problems.

Perhaps the negative image lies in the industry tendency for knee-jerk reactions to the word "consumer." Jean F. Judge, president of the national consumer advisory company, Jean Judge Associates, claims that customer satisfaction and consumerism are both the same and different. Explaining this paradox, she says, "Customer satisfac-

Dealer's Choice: Customer Satisfaction or "Consumer Activism"

by Penelope Longbottom

Penelope Longbottom is director of media and consumer affairs at NADA.



tion and consumerism, as perceived by customers, are the positive and negative sides of the same coin."

Unfortunately, the consumer movement draws a defensive reaction from business and industry. Too often business equates "consumerism" with people who complain, and "customers" with people who buy products. But consumers and customers are one and the same. Ignoring this can be fatal to a business dependent on repeat sales and positive word-of-mouth advertising.

Consumer confidence in government's ability to help them is declining, and budget-slashing measures are further reducing the number of federal, state and local agencies available to assist consumers.

The time is right for cooperative, credible alliances between business, industry and consumer leaders as a workable alternative to regulatory and legislative measures. The proof of this is the remarkable growth of industry-sponsored complaint redress mechanisms. And widespread consumer acceptance of them.

Birth of an Idea

In the auto industry, dealers led the way 10 years ago when the Arizona state association instituted guidelines for handling complaints against member dealers. That program was the genesis of the Automotive Consumer Action Program (AUTOCAP) as we know it today.

In the last five years, this NADA service-mark program has expanded to 32 states and 15 major metropolitan areas serving 15,000 dealers.

Paralleling the growth of AUTOCAP, auto manufacturers have formed similar programs to quell owners' cries for redress of their warranty performance

and product liability claims.

Through AUTOCAP, as well as the Ford, Chrysler and GM/Better Business Bureau programs, the industry is showing its commitment to customer satisfaction beyond the sale.

Recognizing Consumer Problems

However, dealers often are unaware they have unhappy customers. For example, when consumers contacting AUTOCAP offices are asked if they have spoken to anyone at the dealership, most say they haven't asked to speak to the manager of the department where the problem evolved. And rarely have they sought out the dealer principal for assistance. So, unless the dealer has a clearly defined policy of complaint-handling for the store, all too frequently a customer will go away angry without giving anyone the opportunity to resolve the problem.

Certainly customer satisfaction is a two-way street, and the customer first should approach the dealership for help. But dealers should make it as easy as possible for customers to tell them when there is a problem.

Customers with problems—and complaints—are giving dealers a chance to keep their business. Studies show dealers can win back between 54 to 70 percent of these customers by resolving their complaints. In fact, Direct Selling Foundation reports, "95 percent of this group will become loyal customers again if their complaints are handled well and quickly."

So the first thing a consumer is told when contacting an AUTOCAP is to talk to the dealer principal or one of the managers. Then, only if the complaint still persists is the consumer advised to lodge a complaint with the AUTOCAP.

The Northern California AUTOCAP,

sponsored by the 900-member Northern California Motor Car Dealers Association, recently analyzed consumer calls received in its first year of operation. Of 1,618 telephone calls—or an average of 7 calls a day—only 522 (or 32 percent) of the complaints resulted in the consumer being mailed a complaint form. Nearly 1,100 of the consumers were helped by that first telephone contact. In most cases, just having somebody listen was enough. Obviously some cases did not even involve NCDA members.

Only 11 percent, or 177, of the complaint forms were returned by consumers to AUTOCAP. These formed the basis for an official AUTOCAP complaint.

Dealer Referrals on the Rise

Increasingly, dealers themselves are referring customers they can't satisfy to their local AUTOCAP. Donald S. Beyer, president of Don Beyer Volvo in Falls Church, VA, says, "If a customer rejects a goodwill offer and is still unhappy, I refer him or her to AUTOCAP. This tells them I care about resolving the dispute and that I believe enough in the credibility of AUTOCAP to honor any recommendation the AUTOCAP panel makes to settle our dispute. The customer is convinced of my sincerity, and I know I'll get a fair hearing."

AUTOCAP brings dealers and customers together to resolve problems. The program has national status with consumers, the media, regulators, and most importantly, dealers. The program acts as an impartial mediator to help identify the issues in dispute, find points of agreement and reduce misunderstandings.

AUTOCAP never intervenes in a case without the dealer's full knowledge and participation. Staff representatives of the sponsoring dealers' associations,

acting in accordance with the NADA AUTOCAP standards, follow prescribed procedures to increase communication between consumer and dealer in an effort to seek an equitable resolution.

This is the dealer's own association going to bat for him and his customer—not a regulatory agency or consumer protection organization.

Ray Berube, executive director of the New Mexico Auto Dealers Association, puts it this way, "AUTOCAP acts as a favorable buffer between a dealer and a dissatisfied customer. It has cut off expensive litigation and the resulting negative and unnecessary bad publicity."

Close to 90 percent of all AUTOCAP cases are mediated successfully by association staff. Only a small percentage of the cases which come to AUTOCAP reach a stalemate. These tough cases are referred to the AUTOCAP panel, which serves as the official third party, or informal "court of last resort" of AUTOCAP. In fact, of the small number of cases which actually reached panels in 1982, fewer than 1 percent went on to litigation.

How the Panel Works

Under the NADA standards, each sponsoring association selects panelists within the guidelines recommended. The number is flexible, as long as a minimum of 50 percent are non-industry representatives; the balance is a mixture of domestic and import dealer members. (Most AUTOCAPs have six to eight panelists serving voluntarily.)

Generally, at least one consumer panelist represents a state or private consumer agency; another is from the media (possibly an action line or consumer reporter); and one a certified automotive technician—usually a local

Building Bridges

by Deborah M. Hopkins

I was very pleased with the friendly, courteous, effective, efficient service AUTOCAP provided for me," a northern California consumer writes. "It saved me a great deal of time, money and frustration. I am very grateful that there is such a service and hope to see it continued and expanded in the future. It is a God-sent blessing for people with situations such as I had. Thank you very much."

What is it about AUTOCAP that invites such unqualified praise? "The very existence of AUTOCAP is reassuring to consumers," says Clair Villano, director of the Denver District Attorney's Office of Consumer Fraud and Economic Crime, and president of the National Association of Consumer Agency Administrators.

"AUTOCAP brings people from within the auto world together with people from outside that world," she says. "It builds bridges of understanding between consumers and dealers."

"Dealers often recognize when communications with a particular customer have reached an impasse," she says, "and suggest AU-

TOCAP participation. Dealers know they need repeat business in their sales and service departments. They also realize the role AUTOCAP can play in helping achieve this goal."

Patrick Watson, executive vice president of the South Carolina Automobile and Truck Dealers Association, agrees. "Dealers no longer feel that a consumer with a problem is a consumer who wants something unreasonable."

Watson, whose association has sponsored AUTOCAP since 1981, says his dealer members are proud to point to AUTOCAP as "their program." In addition to giving dealers added credibility in the community, Watson says, "it creates consumer loyalty."

Watson adds that AUTOCAP has helped his association amend adverse legislation at the state level, and has given them a means of communicating directly with the public.

But why is AUTOCAP so effective for dealers? Watson thinks it's because "dealers can be assured that people who are knowledgeable about automobiles and the structure of the industry are part of the decision process."

"I would be much more confident having a decision rendered by my peers and automotive-experienced consumer representatives," says Stu Zalud, president of Zalud Oldsmobile in Cleveland.

Zalud has served on the Cleveland AUTOCAP panel since 1982, and is chairman of the newly created panel sponsored by the Ohio Automobile Dealers Association. Zalud says the panelists, all volunteers, "are there because they are concerned about complaints in the auto industry."

Zalud believes that complaints are a natural part of business. "People perceive things differently," he says. "Consumers, sales and service representatives all look at the situation from their own viewpoints." But dealers needn't be apprehensive of the AUTOCAP process. "If a consumer doesn't have a legitimate complaint, it is unlikely the case will ever reach the panel."

Why is dealer involvement important? "Consumers are our business. Observing the process so closely as a panelist gives me a better idea of how to handle problems in my own store as they arise," says Zalud. "As a result I see fewer complaints." □

Deborah M. Hopkins is national AUTOCAP administrator.

The Genesis of AUTOCAP

When Keith Andresen became executive vice president of the Arizona Automobile Dealers Association in 1971, a negative "media blitz" was directed at the state's franchised dealers. "We had to do something about it; we had no choice," he recalls.

Andresen and his association members began their campaign by establishing an association code of ethics and requiring member compliance. Next came the formation of

a panel and complaint-handling procedures. Andresen fought for and won the endorsement of the Arizona attorney general, and after a "big publicity blast" to announce the program, the Ethics Judiciary Committee was off and running.

Although today's AUTOCAP bears strong resemblance to Arizona's initial complaint mechanism, there are some differences—differences which have strengthened the program, according to Andresen.

Until 1980, when the National AUTOCAP Standards were developed by NADA in cooperation with the U.S. Office of Consumer Affairs, approximately 45 AUTOCAPs operated independently around the country. Some had panels which consisted entirely of dealers (such as Arizona's program), some had dealer/consumer panels and some had no panels at all. The standards required

that each sponsoring association have a panel consisting of at least 50 percent consumer representatives. "This is the single most significant change," states Andresen. "This, along with voluntary dealer compliance with panel recommendations, has created strong dealer credibility among consumers."

Another major advance has been the formal endorsement of AUTOCAP by 17 manufacturers. The endorsement allows AUTOCAP to review warranty- and product reliability-related complaints for those companies, and has fostered a spirit of industry-wide cooperation.

Andresen admits that the effectiveness of the Arizona Auto Dealers' complaint system, and its eventual expansion into what is now AUTOCAP, surprised even him. And he is proud that nearly 15,000 dealers now call AUTOCAP "their program." □

vocational or technical school instructor. To achieve the greatest credibility and recognition, associations carefully consider the constituencies represented by the panelists.

AUTOCAP panels must meet at least four times a year. The average panel meets every six to eight weeks or as the caseload dictates.

The panel has no judicial authority, nor are its recommendations legally binding on either dealers or consumers. But to demonstrate the industry's good faith efforts, participating dealers voluntarily agree to honor panel recommendations. Dealers recognize they get a fair hearing by a "jury" of their peers. The alternatives—small claims court, arbitration, litigation—offer no such equity. It is this voluntary commitment, combined with the peer review of dealers and consumer representatives, that authenticates AUTOCAP to the public and potential regulators.

By agreeing to mediation, dealers signal their intent to maintain customer goodwill. "I think it establishes goodwill when you encourage a customer to go to the impartial AUTOCAP panel to resolve a dispute," says Hugh Hartwell, vice president of Bill Dreiling Buick Inc., Denver, CO. "You have intel-

ligent, knowledgeable people trying to study the problem impartially and recommend a fair solution. I know I'd much rather be judged by my peers, even if I don't always win."

Studies show that mediation inspires compromise and that a business retains the loyalty of a customer if a dispute is settled quickly and responsively.

The resulting rapport benefits the entire dealer community. Many consumer and dealer panelists, perceived as adversarial at first, now have gained the mutual respect through their panel activities.

J. Seaton, until recently president of the Cleveland Consumer Credit Counseling Service, was a confirmed consumer activist when he was asked by the Cleve-

land Auto Dealers Association to be an AUTOCAP panelist. He admits suspicions about the dealers' intentions when they started the program. "But a few months of sitting around the table with an absence of finger-pointing or name-calling convinced me of their sincerity," he says.

Serving as an AUTOCAP panelist gave Seaton, as it has dozens of other consumer activists around the country, a first-hand glimpse into the complex nature of automobile dealerships and how consumer complaints arise. It creates a dialogue that dissolves years of accumulated tension and misunderstanding.

A national group representing state and local consumer agency administrators support programs like AUTOCAP.



AUTOCAP panels bring together dealers, customers, consumer and media representatives, and service technicians.

Charlotte Newton, executive director of the National Association of Consumer Agency Administrators, says, "NACAA supports the concept of such mechanisms, and many of our members—the directors of consumer-protection agencies around the country—actively serve on third-party panels."

NACAA believes that while industry-sponsored mechanisms address areas of real concern, it is up to business itself to earn the trust of consumer advocates. Newton continues, "Industry willingness to open their complaints and workings to people from consumer-protection agencies is to be applauded."

Generating Goodwill

AUTOCAP is now recognized by many

state attorneys general. Some states have waived laws which prevented the state consumer-protection office from referring consumer complaints to industry-sponsored mechanisms. And others have actually ordered dealers and consumers to use AUTOCAP. Such was the case in Florida recently when a trial was avoided when a dealer agreed to use AUTOCAP in the cases pending against him. The Florida attorney general's office sent the proper forms to the 20 plaintiffs in the case.

New Mexico's Ray Berube says AUTOCAP fosters positive relations between his dealers and the state's AG's office. "Our former attorney general, J.F. Bingham, and our current attorney, Paul Bardacke, are two of AUTOCAP's biggest supporters."

Although it is a nationally recognized and standardized program, AUTOCAP generates considerable public goodwill and support for dealers at the state and local level through the voluntary participation of their associations. AUTOCAP is also testimony for dealers' ability to regulate themselves, sending positive signals to state regulators and lawmakers. The program testifies to dealers' financial and philosophical commitment to cus-

tomers beyond the sale.

When it costs five times as much to attract a new customer as it does to keep an existing one, programs like AUTOCAP make bottom-line sense.

According to one panelist, good customer relations is "repairing the relationship as well as the car. If they lose confidence in their car—or your ability to fix it—you've lost a customer."

If consumerism is the inevitable negative down-side of customer satisfaction, then programs like AUTOCAP can become the driving force for improving customer relations.

Customer satisfaction is the key to a better future for the automotive industry. And the key to customer satisfaction is in dealers' hands.

Since 1919, GMAC has helped more people buy new GM cars and trucks than anyone else in the world.

Actually, the total number of vehicles we've financed is impressive. It's over 93 million. For a grand total of more than 266 billion dollars in retail credit extended.

These noteworthy results represent the efforts of a lot of people. Like General Motors Dealers. Our dedicated

employees. And the Buick, Cadillac, Chevrolet, GMC Truck, Oldsmobile and Pontiac Divisions. They've produced some pretty fantastic cars and trucks over the years. Vehicles that have been just what consumers have wanted. From the economical — to the luxurious.

We'd like to congratulate General Motors on their 75th anniversary. We are proud that GMAC has helped contribute to their success and look forward to helping still more people buy GM cars and trucks in the years to come.

1939 PONTIAC

1919 GMC TRUCK

1929 CADILLAC



1955 OLDSMOBILE

1967 BUICK

1984 CORVETTE

GMAC

THE FINANCING PEOPLE FROM GENERAL MOTORS



(For more information circle #11)

IMPORT FINANCE:

Moving To Meet the Market

After three years of sky-high interest rates and tight credit, the financial picture for auto dealers has finally brightened. Interest rates are down. Credit has loosened. And banks are back into the market in full force.

by Gary James and Ted Orme

The financial scene has definitely settled down compared to a year ago," says Alfa Romeo's Ralph Wilson. "I'm not aware of any region where dealers are having a hard time obtaining financing."

That's quite different from a short while back, when dealers had to scramble to find sources for floorplaning and retail lending. Many banks—particularly those in the Northwest and Far West—withdrew their financial support altogether, leaving dealers without any way to finance inventory.

For import dealers, there were few places to turn. The domestics' captive finance arms weren't taking on new business, and services of the major independent suppliers were limited. The situation led almost every import manufacturer to develop some type of financing program to ensure that its dealers would be able to continue financing and selling cars.

Subaru launched the first program, a captive finance arm in partnership with Borg-Warner. Soon after, Toyota and Nissan jumped into the ring, along with the two other domestics, AMC and VW. Other imports, such as Volvo, BMW and Rolls Royce, developed ties with the three major independent finance companies working the field—General Electric Credit, ITT Diversified and Borg-

Warner. The goal? To provide dealers with an alternative source should times turn bad again.

VW Credit's Mike Ryan sums up the thinking: "We will always have money available. Banks, on the other hand, are notorious for jumping in and out of the market, depending on which way the wind blows."

To update dealers on what the various import automakers and finance companies are doing, *Automotive Executive* surveyed the field. Here's what's new.

Borg-Warner

Currently among the independents, only Borg-Warner offers wholesale and retail monies to import dealers. In a unique joint venture with Subaru Finan-

Gary James is senior editor for *Automotive Executive* magazine; Ted Orme is contributing features editor.

cial Services, Borg-Warner services Subaru dealers. The company also runs retail programs with Alfa Romeo and Volvo.

"We started in 1978 working one-on-one in the street," says Jack Wacek, general manager. "We negotiated for three years to create a captive arrangement with VW, but they ended up starting a program in cooperation with Chrysler Credit. We were deflated, but then the Subaru deal came along. Now we have 10 branch offices across the country, and we're adding dealers all the time."

What sets Borg-Warner apart from a local bank? Wacek says, "It's our ability to offer dealers a complete portfolio. We can put together a total F&I plan, as well as design a spot promotion to move a particular model. This is something banks aren't geared to do." This summer, Borg-Warner is running a unique "zero financing" program with Alfa Romeo dealers nationwide (more later).

GE Credit

GE Credit Corp., the second major outside supplier, concentrates on leasing and floorplanning. GECC works with Rolls Royce, BMW and Volvo. The firm has also run promotional programs for Mitsubishi and Toyota.

GECC capitalizes on its sturdy financial base—more than \$12 billion in assets—and a field network of 25 offices when pitching automakers and dealers for business. The company floorplans about 65 percent of its dealers' inventory (worth \$42 million), and is "trying hard to increase that penetration," says Robert Reich, senior vice president of sales and marketing.

"We are moving to provide a broader range of services to our dealers," he says. "Not only would we like to help them sell more vehicles, but we'd like to help with the acquisition of new dealerships, real estate and other financing needs." Along these lines, GECC recently became one of the only suppliers to offer credit life, accident and health insurance to leasing customers.

"We will always have money available. Banks, on the other hand, are notorious for jumping in and out of the market, depending on which way the wind blows."

ITT

"Although we have done some domestic business, we are mostly involved with floorplanning import dealers," says Frank Limbough, senior vice president of ITT Diversified Credit. "We have some of everybody's products on our books."

Limbough doesn't see ITT entering the retail market, but he does expect growth in capital loans and new and used-car floorplanning. "We'd love to put together a captive arrangement with anyone, and we've talked to several companies. Our computerized inventory control system separates us from others in the field."

Subaru

In January 1982, Subaru became the first import to offer its dealers a complete package of F&I programs. Borg-Warner is both a financial and administrative partner in the venture. For insurance support, Subaru uses Pat Ryan & Associates, which also supplies Subaru dealers with service contracts.

Gilbert Zitten, president of Subaru Financial Services Inc., estimates that 100 dealers participate in these programs. "We started this when Ford and GMAC withdrew their import support and our dealers were left without any sources except banks. When the banks pulled out, dealers had no place to turn."

Zitten says Subaru's F&I programs are competitive with the best in the industry. "We have everything an F&I person needs to do his job," he says. "Subaru

offers floorplanning, retail financing, leasing, extended service contracts and credit life, accident and health insurance. With us, a dealer doesn't have to shop five different vendors."

Nissan

Nissan has become perhaps the most aggressive company in the finance area. It has conducted several discount loan promotions on Datsun trucks, the most recent being this summer's 8.8-percent offer. For this program, local lenders supply financing to dealers at their usual rate, and Nissan picks up the balance. Dealers sacrifice some F&I profits, says Bob Baker, president of Nissan Motor Acceptance Corp. (NMAC), but that's more than made up for in increased showroom traffic and sales. The program should empty dealers' truck inventories in time for the introduction of Nissan's 83½ models this October.

Nissan Motor Acceptance Corp., Nissan's own finance arm, was formed in 1982 to provide wholesale and retail monies. Because NMAC currently operates only in California, Oregon, Washington, Texas and Colorado, Nissan has been cooperating with about 900 financial institutions nationwide with its special finance promotions. But in seven to 10 years, says Baker, NMAC should have nationwide coverage. "Our long-range plan is to capture about 65 percent of wholesale business and 30 percent of retail. Retail will be much lower because there are so many vendors in the marketplace."

That wasn't true two years ago, however, when banks left Nissan dealers in some key markets high and dry. To meet the emergency, Nissan worked out a deal with Citibank to supply financing to dealers in Illinois and Florida. The problem has disappeared now, says Baker, and there are no plans to expand Citibank's services to other regions.

Toyota

In July, Toyota Motor Credit Corp. 35

(TMCC), a wholly owned subsidiary of Toyota Motor Sales U.S.A., expanded operations to the state of Washington. Formed in late 1982, TMCC also offers retail and wholesale financing in Oregon and Colorado. Administrative support, including credit approval and billing, is provided by FinanceAmerica Corp., a subsidiary of Bank of America.

Additional expansion of TMCC's operations to other states is planned during 1983. Areas selected will be determined by dealer needs and market conditions.

"TMCC was conceived during a time of record high interest rates and tight money," says Yale Gieszl, senior vice president of Toyota Motor Sales. "While those situations have eased somewhat, the continual development of TMCC is in keeping with our commitment to assist Toyota dealers."

Mitsubishi

Though Mitsubishi doesn't have an established finance arm, it has been offering consumers discount financing on its Cordia and Tredia models through much of '83. In July, the advertised rate was 8.7 percent. Mitsubishi pays the difference between that and the market rate, through about 70 participating banks.

"The response—from dealers and consumers—has been excellent," says Bob Stallsmith, vice president of sales. "What it does is encourage customers to look at our products."

Mitsubishi doesn't offer wholesale financing to dealers, but Stallsmith says if sales ever hit 250,000 per year, he'd like to have a program in place. "Money is like oil," he says. "Sooner or later, it will be in short supply again. Having our own program would protect dealers."

American Motors

AMC's captive finance arm, American Motors Financial Corp. (AMFC), has been offering wholesale and retail financing for two years. More than 200 of its 1,589 dealers use AMFC for floorplanning and about 150 use its re-

"Our prices are slightly higher, so many of our dealers continue to work through banks. That's okay. But they should also remember that we'll be here through good times and bad."

tail program. The firm provides credit for all the vehicles distributed by the AMC dealer network—Renaults, AMCs and Jeeps.

Since the beginning of the year, AMC has been offering discount financing to consumers, but because it's expensive, "We don't have the slightest idea how long the program will continue," says Patrick Rain, AMFC's vice president of finance.

AMFC works together with Chrysler Financial to bring its services to dealers and consumers. "It's done on a brand name basis," Rain says. "We hang our shingle on Chrysler Financial's 95 branch offices nationwide, and their sales reps use AM Credit business cards when they make their calls." This arrangement gives AMFC access to Chrysler's support network—about 1,800 field employees. But AMFC handles all the administrative details, makes the credit decisions and puts up all the money.

Volkswagen and Porsche-Audi

VW's wholly owned subsidiary, Volkswagen Credit Inc., has had a similar arrangement with Chrysler Financial since 1981. VW Credit's penetration at both the retail and wholesale level is about 5 percent, says the company's president, Mike Ryan.

"We look at ourselves as an alternative," he says. "Our prices are slightly higher, so many of our dealers continue to work through banks. That's okay. They should have several sources to choose from. But they should also remember that we'll be here through good

times and bad. That may not mean much unless you've ever watched a bank withdraw the funds on your inventory."

VW Credit hasn't run any retail discount programs, but Porsche-Audi dealers in Southern California have run some promotions in tandem with a local bank, Security Pacific. The program was conceived to clear out slow-moving 1982 Audi 4000s, which couldn't be redistributed because of their unique emissions equipment. Later, the 10.9-percent incentive was expanded to include other Audi and VW models.

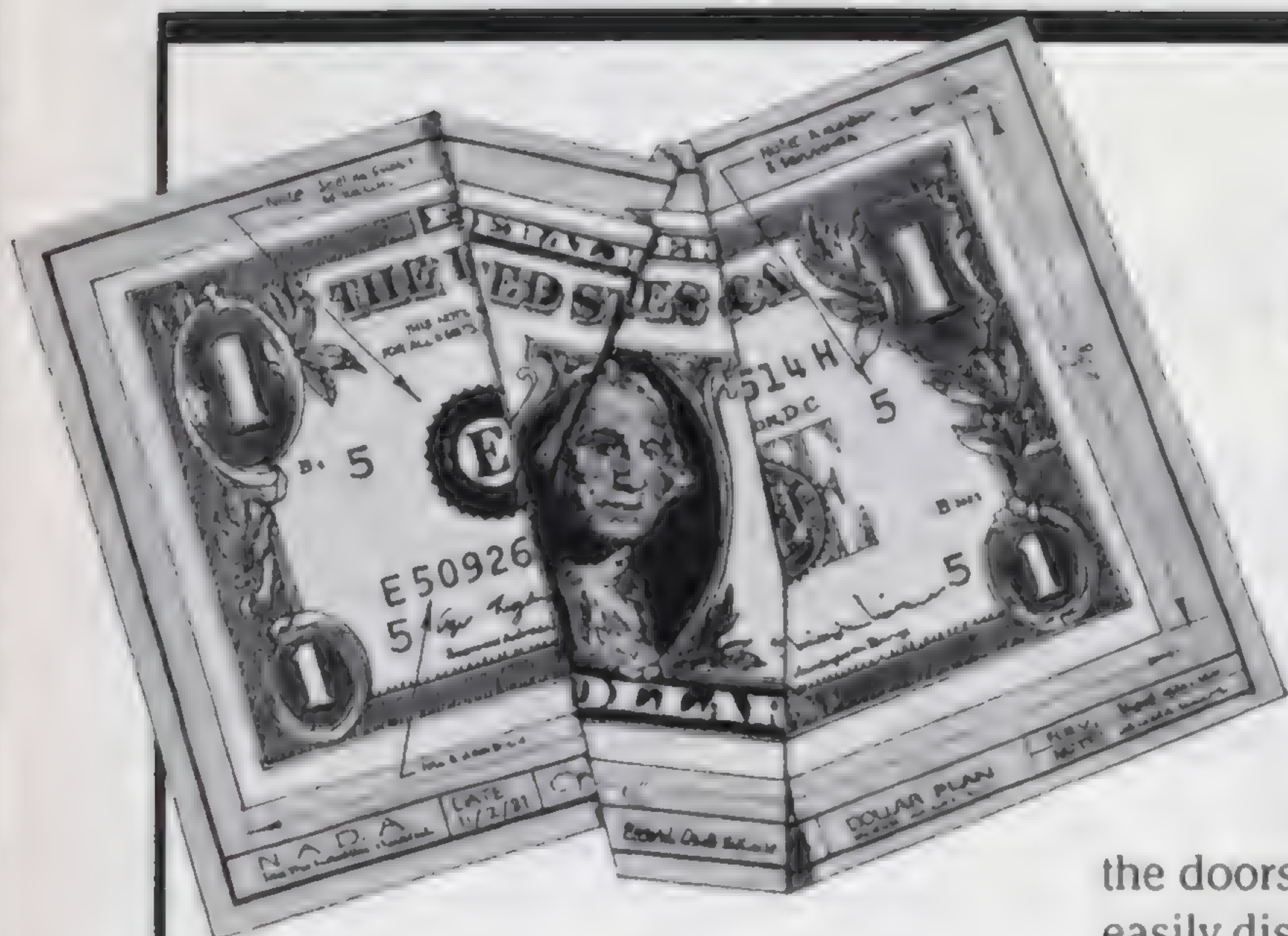
Alfa Romeo

Alfa Romeo introduced a retail discount program in early July that has created a mild stir in the industry. Until the end of this month, Alfa Romeo is offering "zero percent" financing on its GTV-6 coupe for up to \$13,000 or 36 months. The difference between zero and the prevailing market is shared by Alfa Romeo and its dealers. About 90 percent are participating.

"We wanted to generate some excitement during the slow summer months," says Ralph Wilson, director of sales and marketing. "Rather than compete with other manufacturers over tenths of a percentage point, we went them one better. We removed the finance charge altogether. This will save our typical customer about \$2,800 on an installment loan."

It's too early to assess any sales impact, but Wilson says the program has lured many new shoppers into dealers' showrooms. "We'll probably be out of inventory at the distributor's level a month before our new cars arrive in October," he says.

Administration of the program is handled by Borg-Warner, the same company that provides about 10 percent of Alfa's 108 dealers with floorplanning. Borg-Warner began to work with Alfa Romeo in early 1983, and it hopes to expand its services—wholesale and retail—to half the import's dealer body



Import Dealers Discuss Finance Developments

by Joan Rubin

Automotive Executive recently surveyed several exclusive import and dual dealers to find out what's happening at dealerships in terms of financing for import cars. While these dealers use different sources for financing and hold different opinions on discount financing programs, they all agree on one thing—there is still money to be made in financing customers' cars.

Most of the dealers we talked to use local banks for financing. Although most manufacturers have some kind of program, "the trouble with them is that they are somewhat more expensive than the banks," says Frank Gonzales of Schulstad Motor Co. (AMC, Jeep, Renault), Tampa, FL.

"We don't use Subaru's program because it is expensive," says Chester Swanson, Chet Swanson Sales (Olds, Cadillac, Jeep, Subaru), Traverse City, MI. "We use GMAC."

"For a little background, at one time GMAC was not very receptive to imports—that's why Subaru set up its program. Now GMAC will finance imports and it's cheaper than going with Subaru."

Although many dealers rely on banks for financing, banks aren't seen as the most stable of sources. "During the recent credit crunch, the banks were hard to find," says Jay Edwards, Edwards Toyota, Portsmouth, NH. "While they're back on

Joan Rubin is assistant editor of Automotive Executive magazine.

the doorstep now, I think they could easily disappear in the next tide."

Swanson agrees. "The banks are back to stay as long as it's profitable," says Swanson. "They get in when it's profitable and get out when it's not. The biggest advantage of the factory programs is that they're there, good times and bad," he says.

The dealers had mixed opinions as to the effect other manufacturers' discount financing programs had on their businesses. Some, like Edwards, feel these programs stimulate overall business. "I find that they are creating a good deal of interest and traffic, and from that we all benefit," he says.

Jack Price, University Volkswagen Inc., Albuquerque, NM, says, "To some degree, these programs put us at a competitive disadvantage, but they're certainly not putting us out of

"While these dealers use different sources for financing and hold different opinions on discount financing programs, they all agree on one thing—there is still money to be made in financing customers' cars."

business by any means. I do think it's a very good merchandising tool—I wish we were using it."

The low interest rates have a definite influence on consumers' buying decisions, according to D. Patrick O'Daniel, D-Patrick Inc. (AMC, BMW, Ford, Honda, Jeep, Mercedes-Benz, Porsche-Audi, Renault, VW), Evansville, IN. "When you go up against an 8.8 percent on an Escort versus our 12.9 percent for a Honda, it's more than just the price of the cars that factors in a customer's decision," he says.

However, says Gonzales, "The customer still goes for the best deal. So if you put the whole package together—financing and price—then our package is just as good as any of them."

F&I is not such a mystery to the consumer as it once was. The consumer, says Price, "is a lot smarter about buying a car than he was just a few years ago. Not only in the area of financing but in all aspects of the purchase."

Financing cars is still seen as a big money-making venture. The keys? "Being able to arrange the most competitive loans, for one," says Edwards. And, says Gonzales, "The customers like the convenience of being able to get the financing right at the dealership."

"By financing the cars," says O'Daniel, "you can sell credit insurance. It also gives you a better chance of selling extended service contracts."

And, of course, the basic ingredient to making money is, as Price says, "having a good F&I department." □

next year.

Mercedes-Benz

In 1981, when Mercedes-Benz of North America acquired Freightliner, it also obtained a new source of financing. Known as Mercedes-Benz Credit Corp., a separate "sister" to the parent companies, the firm provides wholesale and retail funds to Mercedes and Freightliner dealers. Even though Mercedes-Benz Credit has been servicing auto dealers for only eight months, wholesale penetration has already hit 30 percent. Penetration on the retail side is much lower, since so many Mercedes-Benz customers buy their cars for business and arrange their own credit.

"We are not seeking to be the sole source of financing for our dealers," says Paul Payne, vice president of dealer operations and administration. "We simply want to help where needed, and give our dealers an alternative."

Volvo

That philosophy is true of Volvo as well, says Jay Kreusser, the company's marketing development manager. "The recession didn't hurt our dealers much, but in some areas, such as the Northwest, banks left the marketplace and funds dried up. That's when we decided to line up an alternate source."

In 1981, Volvo developed a program with Chase Manhattan Bank to provide retail and wholesale financing. The bank covers 40 states now, and will expand nationwide shortly. Chase has been offering competitive rates—around 12 percent—to encourage dealers to write its paper.

Since 1978, Volvo has also had an arrangement with GECC to offer dealers floorplanning. GECC currently floorplans about 32 Volvo dealers. As is the case with Chase, Volvo has no financial participation. Borg-Warner also services some Volvo dealers.

Honda

Honda has its own captive finance source, American Honda Finance, but

"It was intended as a 'bad times' program to help dealers who couldn't get financing anywhere else. But now that things have settled down, we view this as a service to both our dealers and to us."

the company currently restricts its activities to providing floorplanning to Honda motorcycle dealers. This summer, Honda queried all its auto and motorcycle dealers to find out how it can better serve their financing needs. "We haven't finished analyzing the results yet," says Tom Elliott, Honda's sales operations manager, "but early response shows that car dealers are very interested in a wholesale program, and less in need of retail assistance. We hope to launch some type of expanded program to car dealers by the end of '83 or early next year."

Rolls Royce

Up until the spring of 1981, most of Rolls Royce's 70-odd dealers financed their inventory through GMAC or a local bank. Suddenly, however, the market changed. A combination of tight credit and sagging sales made floorplanning difficult to obtain even for Rolls dealers. To fill the gap, Rolls Royce signed an agreement with General Electric Credit Corp. to provide funding. "This gave our dealers a secure financial source at a time when banks were leaving the market," says Don Beck, treasurer.

Now, banks are doing a complete reversal, Beck says. "They are looking to recapture the business they chased away a few years ago. But GECC is committed to this business, and dealers should keep that in mind. It's not worth burning your bridges just to cut one-eighth of a percent off your floorplanning expense."

Though Rolls does not offer a retail

package to dealers, it is considering one for the future. In the meantime, Rolls offers leasing monies to some of its dealers through GECC, and plans to expand that program nationwide.

BMW

GECC also provides floorplanning assistance to BMW dealers. It offers four different rates based on inventory turnover. If dealers move their cars in 25 days or less, they receive floorplanning at a preferred rate—usually, prime.

"When we announced this program in October of 1982," says BMW spokesman Tom McGurn, "it was intended as a 'bad times' program to help dealers who couldn't get financing anywhere else. But now that things have settled down, we view it more as a service both to our dealers and to us. Even if things get bad again, they'll be able to floorplan and sell our cars."

Jaguar, Peugeot, Saab, Isuzu and Mazda

None of these imports offers financing to dealers, though Saab has held discussions with several of the large independent finance companies. As Jaguar's Mike Cook says: "We're very small, and there isn't much of a need. Most of our customers make their own financing arrangements, and our dealers have strong relationships with their own sources. If a dealer has a problem, we'll put him in touch with the right people, but that's the extent of our involvement."

Ken Linday, marketing development director for Saab, says the lack of a financing arm makes the company "somewhat less competitive. At some point down the road, we are probably going to have to create some kind of captive finance arrangement, at least on the wholesale side."

So there you have it. Imports still may not have the reach of giant finance arms such as GMAC and Ford Credit, but they have taken some big first steps toward protecting their dealers from future financial crunches. □



Security Pacific Launches "Balloon Payment" Plan

In Southern California, the vanguard of innovative automotive marketing, one forward-thinking bank has re-introduced "balloon financing," a concept that is providing Nissan dealers with a unique way to lower customers' monthly payments on top-of-the-line models.

Developed by Security Pacific National Bank, the "Assured Value Plan" features a conditional sales contract with one balloon payment at the end. The balloon payment is based on the car's expected value at the end of the financing term, similar to a lease. When the balloon payment is due, the customer can: pay off the car at the pre-established price; refinance the amount; or turn the car over to Security Pacific.

"This program is designed for the kind of person who wants the use of a car, but not necessarily the equity," says Steve Carl, assistant vice president of Security Pacific. "He or she can take the capital and invest it."

The buyer's monthly payment is pegged to the depreciation of the car, plus an interest charge of 15.99 percent. Three contract lengths are available: 36, 48 or 60 months. According to Carl, the program reduces the regular monthly payment by 25 percent.

"One of the attractions is that it enables a buyer to move up to a more expensive model, with more acces-

sories, for the same monthly payment he or she would make on a conventionally financed, lower-priced vehicle," Carl says. Though Security Pacific offers the Assured Value Plan on all Nissan cars and trucks sold through participating dealers, the program is particularly aimed at 280-ZX buyers. "A Z-car becomes as affordable as a Pulsar when you break down the payments this way."

Another benefit of the Assured Value Plan, Carl says, is customer retention. "At the end of the contract, the customer has to come in to conclude the deal. If he decides not to keep it, you have a ready-made customer for a new car, because he's going to need transportation."

"It enables a buyer to move up to a more expensive model, with more accessories, for the same monthly payment he would make on a conventionally financed, lower-priced vehicle."

Balloon financing programs have been tried before, but Carl says he thinks Security's "new mathematical wrinkles" make its program better than earlier versions. Until September 30, Security is offering the Assured Value Plan exclusively through California Nissan dealers. After that, the bank intends to expand the plan to Colorado, Missouri and 10 other markets. "The plan will be available to selected dealers based on product and their relationship to the bank," Carl says. (Balloon financing is illegal in certain states.)

In California, Security Pacific works through local dealer associations to bring its program to dealers. The associations provide advertising and media support to get the word out to consumers.

Carl says he anticipates a slow response to the program initially because of the difficulty of explaining this complicated financing plan to consumers. "Dealers' ads tell consumers that the Assured Value Plan is available and that it significantly lowers monthly payments, but that's about all you have time for. Once the customer enters the store, however, salesmen are prepared with an easy-to-read guide we developed that shows just how much money you can save.

"They say you can tell a pioneer by the arrows in his back, and right now we're not sure how well this particular plan will sell in the marketplace. But that's just the risk of being a pioneer."

□

Congratulations, GM dealers!
You made it a big hit!



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Revolution, says Webster's, means "a sudden, radical or complete change." It's a strong word, but appropriate in many ways to the changes that lie ahead in automotive retailing.

New car dealers, with good reason, think, "But we've *already* been through a sudden, radical or complete change." True, the business of selling cars certainly is not what it used to be. Dealers who have survived the past few years have undertaken many changes in response to the recession, consumerism, and increasing import penetration. And there are many other factors that have dramatically influenced the retail auto business. But even more significant trends and changes are beginning to loom on the horizon.

It's important, first, to know where the consumer market and retail sales are headed. The outlook is far from grim. J.D. Power & Associates has a much more positive near- and long-term view than many industry forecasters. Pent-up demand *does* exist—the average age of the U.S. vehicle fleet is crossing the seven-year mark—and the American "love affair" with the automobile is *not* over, contrary to media reports.

J.D. Power & Associates monitors the public's buying intentions and behavior through a tri-annual consumer survey, representative of the entire U.S. driving-age population. We know that consumers have stayed out of the market for very specific reasons. People have not deferred buying because they have *wanted* to hang onto their old cars or because there has been a fundamental shift in how consumers perceive personal transportation. Actually, driving

This article is from a presentation made at the Automotive News World Congress by George-Ann Rosenberg, editor of "The Power Newsletter," published by the automotive market research firm of J.D. Power & Associates, Westlake Village, CA.

Revolution in Automotive Retailing

Today through the '90s

by
George-Ann Rosenberg

and usage patterns and the desire to own a personal-use vehicle have changed very little. But consumer buying psychology has been impacted by interest rates, car prices, fuel prices and availability, unemployment, the stock market and impressions of the economic health of the country.

The consumer outlook has been improving since the second half of 1982, and with favorable buying conditions consumers have begun returning to the market. But there are continuing concerns about inflation and unemployment. Also, the "buying process" (in the consumer's mind) can take up to six months from the time he or she first considers purchasing to the actual purchase.

But we have turned the corner, and J.D. Power & Associates anticipates record passenger car sales during the rest of the decade at the 10- to 12-million unit level. Toward the end of the 1980s, we would not be surprised to see a sales year surpassing 13 million units.

However, if the sales outlook is so bright, why are there so many changes ahead? Can't dealers just go back to the way they were selling cars in the '60s and '70s?

The answer is no. The industry has changed and the consumer has changed too. Dealers and manufacturers both should be aware they will operate in a consumer-driven market, as opposed to the producer-driven market of the past. Manufacturers cannot merchandise their way out of a sales slump. Today, consumers are calling the shots.

Consumers of the 1980s—and beyond—will be better educated and more demanding of vehicles and dealerships. In three years' time, dependability has replaced fuel economy as their number-one concern. Lower fuel prices and widespread availability of fuel-efficient vehicles have contributed to this, but dependability has steadily



climbed over the period and will continue to be a major, if not primary concern. And, while sticker shock has subsided, there has been a dramatic increase in concern for the investment necessary to buy a new car.

There is also evidence that consumers, in their search for value, will do more shopping and consider more models. Our Automotive Consumer Profile survey shows that 43 percent of the people who visited dealerships in a recent six-month period went to three or more different stores.

And, while purchase consideration of all domestic nameplates is on the rise, cross consideration is also increasing. "Make" loyalty is slipping. Of consumers who would consider models from any one of the Big Four, half or more would consider other domestic makes. This shows a more sophisticated consumer, concerned about price and value, who is willing to investigate alternatives.

When we asked consumers to rate dealers on nine different attributes, we found that people were most critical of dealers in the service-related areas. Previous research has shown that the consumer's decision to purchase from a dealer a second or third time is based on how well the dealership handled the vehicle servicing. So, as consumers increasingly look for quality and dependability in the vehicles they buy, they still want top service on demand.

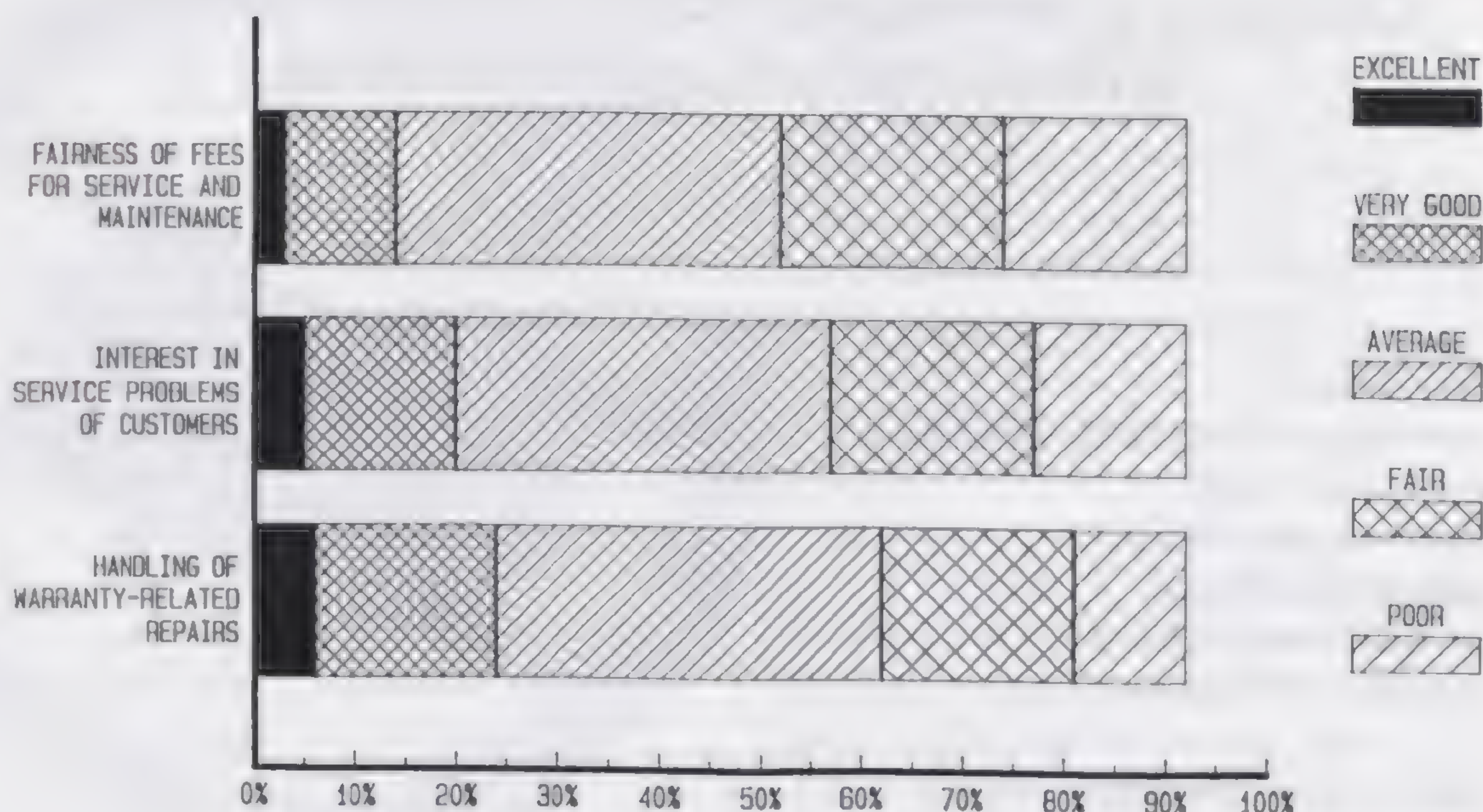
While after-sale service lingers in the consumer's memory longer than the actual sales process and transaction, this is not to say that dealers should adopt a status-quo attitude. The car prospect today who "bought new" four years ago is finding sticker prices 60 percent greater in today's dollars and 25 percent higher in real terms. A new car is a major investment, then, for the consumer, who is all too often confused and frustrated with the car-buying pro-

cess. Dealers should remember, however, that there are no alternatives for the consumer yet. Consumer willingness to tolerate purchase procedures as they exist today could shift dramatically.

We have already witnessed a streamlining of the dealer body by economic

But perhaps the biggest single challenge to dealers is that U.S. manufacturers will be looking for more efficient means of distribution. After three years of unprecedented research and development and cost cutting—and still facing Japanese cost advantage of at least \$1,000 per car—the domestic in-

TOP THREE DEALER ATTRIBUTES RATED POOR/FAIR



AUTOMOTIVE CONSUMER PROFILE, JAN. 1983

forces—and we expect further declines among domestic dealers even as the market comes back. We have also seen consolidations, with dealers adding lines and expanding to compensate for declining margins. We expect this to continue, with more chain dealerships and car supermarkets emerging in place of the small-volume single-point store. By necessity, dealers must become long-term planners versus short-term thinkers. This means better financial planning, personnel management and more sophisticated marketing expertise.

Industry surely will turn its cost-reduction efforts to distribution systems. Some (computer communications and inventory planning programs) will help dealers. However, any trend toward direct factory involvement in retail sales will inevitably take place at the expense of the current dealer body. Factory-direct or distributor-direct selling and factory-owned stores, all in use in Europe, are not beyond possibility.

Changes in other industries, such as supermarket chains and discount stores, have followed similar patterns with the aim of reaching consumers at a



lower cost through efficiencies of distribution.

Just how far U.S. manufacturers step into retailing will depend how effective dealers and their organizations are in protecting their own retail territories. History shows that dealers have been successful in this regard. However, recent history also shows that the forces of the consumer market dictate the future. So this really comes back to the

central theme of satisfying the demands of the consumer.

Assuming the future will accommodate a viable dealer franchise system, the dealer/manufacturer/distributor relationship must be improved to meet the needs of more demanding consumers. This relationship has long been adversarial, and other franchise businesses show similarities. Franchisees tend to be fiercely independent entrep-

reneurs, quite skeptical of the franchisors. But the extent of these feelings in the auto industry probably surpasses any others.

The retail automotive franchise business has evolved into a highly complex business—significantly more complex than selling hamburgers. Dealers long have believed that manufacturers and distributors have been too far removed from retailing and the intricacies of the dealership business to be able to tell them how to do *anything*. And it is in the manufacturer's best interests to turn this feeling around. Manufacturers want to attract the "best" dealers. This will become increasingly important with fewer dealers because the quality of individual dealer networks will increasingly affect sales.

Manufacturers now have a vested interest in the success of the individual dealer. With more dealers carrying multiple lines at a single location, support programs will become more important to ensure that a particular line is given proper dealer attention. We see major manufacturer efforts in the next few years to install factory-sponsored training programs in dealerships not only for service and sales personnel but management training as well. And, in a consumer-driven market, the dealer/factory relationship must improve all channels of communication.

Future retailing scenarios could be many, including variations of the new shopping-mall showroom and auto park themes, co-op ventures, factory new-car prep centers, and computer-terminal car buying.

How well dealers face the coming challenges will depend on their ability to identify trends, strategize and adapt to changing times. Survival and success will hinge on the dealer's ability to stay "close" to the customer. This will be equally important for manufacturers and distributors. ☐

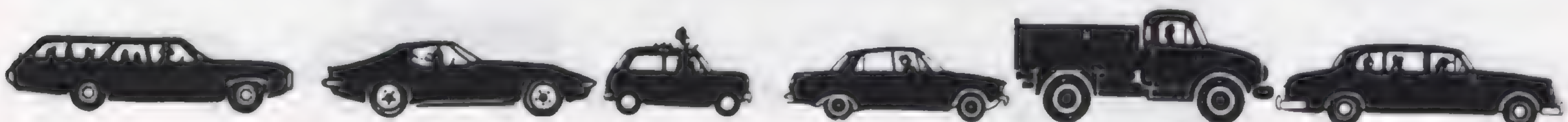
Changing in Rankings of Most Important Attributes in New-Vehicle Purchase Decision

	MAR/APR '80	SEP/OCT '81	JAN '83
FUEL ECONOMY	33%	15%	9%
DEPENDABILITY/TROUBLE-FREE OPERATION	24	30	29
LOW PURCHASE PRICE	11	16	25
SAFETY IN CASE OF ACCIDENT	8	10	9
QUALITY OF WORKMANSHIP	4	6	9
APPEARANCE AND STYLING	3	6	5
AVAILABILITY OF PARTS & SERVICE	4	6	3

SOURCE: AUTOMOTIVE CONSUMER PROFILE

Cross Purchase Consideration among Domestics

WOULD ALSO CONSIDER A:	THOSE WHO WOULD CONSIDER A PRODUCT FROM			
	AMC	FORD	CHRYSLER	G.M.
AMC	100%	55%	58%	49%
FORD	70	100	69	61
CHRYSLER	66	62	100	56
G.M.	86	84	86	100



Hands-On Experience '83

A Unique Marketing Approach

by Ted Orme

When an automaker stakes its reputation on high technology and performance, what better way to promote these virtues and sell cars than to put potential customers behind the wheel? Better yet, why not hire some professional drivers to show customers how to take full advantage of these performance cars and then turn them loose on a driving course to test their skills and, at the same time, test-drive every model you offer?

That's what Porsche-Audi did this summer with its "Hands-On Experience '83" program. An industry first, the program consisted of seven driving clinics throughout the country conducted by a team of instructors from the National Academy of Professional Driving, led by author-race driver Dr. Dick Turner. Invitations were offered to a select group of chief executive officers whose names were gleaned from Dun and Bradstreet listings and further refined demographically to those potential customers *most* likely to buy a Porsche or Audi.

"Our program's major goal is to teach principles of safe driving to a group of enthusiasts who have the capacity to purchase a Porsche or Audi," said Robert Brooks, Porsche-Audi Sales Training Manager. "Our intent is to demonstrate the design, performance and safety characteristics of Porsche and Audi vehicles to an upscale audience."

Ted Orme is the contributing features editor of Automotive Executive magazine.



From the looks of the group at the "Experience" in Washington, DC, Porsche-Audi hit the bull's-eye. In their 30s and 40s, heavily male and, considering the clothes they wore and cars they drove to the event, the attendees were quite capable of buying Porsche-Audi products. Many already had.

The one-day session was divided into two modules—Audis in the morning and Porsches in the afternoon. In both, participants started with classroom instruction on steering techniques, acceleration and braking methods, accident avoidance and the physics of cornering. Then they got a chance to put it all together on four simulated roadway courses set up in the parking lot of Robert F. Kennedy stadium.

The bright, upwardly mobile group of 60 CEOs eagerly devoured every

driving tip offered by the affable Turner. No wonder. Turner has written a dozen books on driving, has won innumerable races himself, and has trained 38 national racing champions. His NAPD instructors have trained more drivers than all other professional driving schools combined.

Turner stressed safety—the overriding theme of the seminar—but he spoke frequently and enthusiastically of driving enjoyment. They are one and the same, according to Turner, when you know how to drive. Turner knows. Just for the fun of it, and he definitely comes across as a man having fun at work, Turner recently took time out from a Porsche-Audi driving seminar at Laguna Seca track in California to set a new lap record for its class in a Porsche 944.

His driving demonstrations in Washington were no less spectacular and nearly impossible to duplicate, though some of us tried. What we found was there is a lot more to good driving than a lead foot and a fearless attitude. The road courses—designed to test reaction time, slalom performance, braking and handling—were tough. The hot shoes and Type As, who let their competitive nature get the best of them, quickly discovered "quick" doesn't necessarily mean fast. The burning rubber, flying pylons and involuntary 360s gradually gave way to smoother, more studied approaches and better times.

At the other end of the spectrum, drivers who had started tentatively were

slipping through the courses with confidence as the day wore on, and begging for another turn. Almost without exception, skills were improved.

But most of all, the drivers—all potential customers—had fun. And that may be why Turner fairly bubbled over with enthusiasm for the Porsche-Audi event. "It's the first time in automotive history that people have been trained to enjoy cars," he exclaimed.

Indeed, the group carried on like kids at a carnival as they piloted the gleaming arsenal of Porsches and Audis through the bright orange pylons. Quipped one CEO, "I haven't had the juices flowing like this since the Redskins won the Super Bowl."

The event's sponsor is hoping that those flowing juices will carry many of

the participants to a local Porsche-Audi store. But true to their promise, the Porsche-Audi staff working the seminar never tried to "pitch" anyone on the cars, although they were quick to respond to technical questions. Of course, the NAPD instructors all loved the cars, and that didn't hurt the sales appeal either.

Peter Fischer, vice president of the Porsche-Audi Division of Volkswagen of America, promised participants that "none of our retail organizations will be contacting you," but added with a grin, "Of course, we have absolutely no objection if you want to contact them." To that end participants were given a dealer directory and a list of local dealership personnel who had attended similar driving seminars. The CEOs were in-

vited to use the list and, if they were too busy to do so, Fischer said, "We would be pleased to contact a dealer for you and arrange a presentation at your office. At Porsche-Audi, we have a deep conviction about personalized selling."

The Hands-On Experience '83 was a pilot project, but the company is already developing an "advanced seminar" to follow. Judging from the response of participants at this first round of seminars—96 percent gave the sessions a highly favorable rating and expressed an interest in attending an advanced seminar—we must conclude that is highly likely. And those who stand to gain most from the experience are the Porsche-Audi dealers waiting to hear from these solid prospects. □

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NADA ⁱⁿ Dallas ⁱⁿ 1984: ^{The} Excitement Awaits

by Joan Rubin

Dallas is well-known as one of the finest convention cities in the country, and NADA members will be able to take advantage of that reputation when they attend the 67th Annual NADA Convention and Exposition, February 4 to 7, 1984.

Dallas is a forward-looking, sophisticated city, a symbol of the new West rather than the old. "Big D" is no cow town. It is a center of business, finance, culture and fashion, with all the hustle and bustle befitting its rank as one of America's major cities.

Located at the geographic center of the country, Dallas is only three hours by air from either coast.

Dallas welcomes conventioners and knows how to take care of them. The convention center itself is one of the finest in the nation, with a truly Texas-sized exhibit hall—five stories high with an area the size of four football fields.

This year's convention will feature an outstanding schedule of general sessions, workshops and seminars, with a bigger and better equipment exposition. And the Life Style Center will

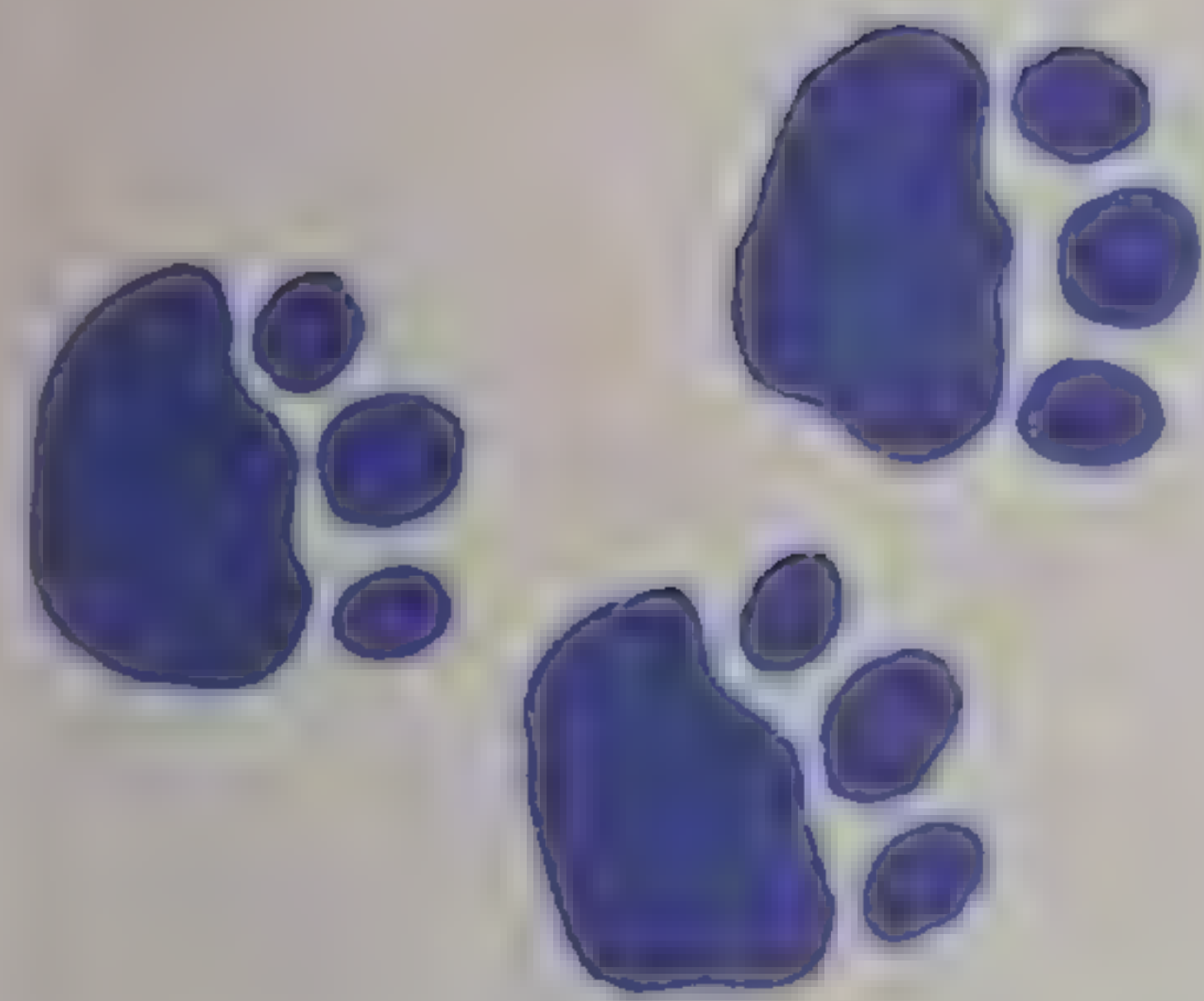
have a State Fair Midway theme. Despite the full convention schedule, there will be plenty of time for attendees and their families to enjoy all the activities Dallas has to offer. The city has many fine restaurants, offering cuisine from around the world (but don't forget to sample Texas barbecue!); a vibrant night life; world-famous stores and shopping malls; spectator and participant sports; and family entertainment and sightseeing attractions.

All in all, NADA in Dallas will be a package not to be missed! □



Top: The newly expanded Dallas Convention Center is located in downtown Dallas, convenient to hotels, restaurants and shops. **Left:** Farmers Market in downtown Dallas offers fresh produce, flowers and plants in a setting evocative of an earlier era. **Right:** The beautifully restored Union Station, containing a Visitors Information Center, is the site of restaurants and tempting food stands. **Below:** Located in an old barn, Olla Podrida is a distinctive shopping center for the arts and crafts featuring paintings, weaving, pottery, leather and jewelry.





67th ANNUAL NADA CONVENTION & EXPOSITION

Dallas Convention Center

February 4, 5, 6, 7, 1984

PLEASE PRINT OR TYPE ALL INFORMATION REQUESTED BELOW

ADVANCE REGISTRATION DEADLINE

Advance registration will close on Friday, December 23, 1983. DO NOT SEND IN REGISTRATION FORMS OR ROOM REQUESTS AFTER THAT DATE—PHONE THE NADA CONVENTION DEPT. DIRECTLY AT (703) 821-7143 and HOTEL ROOMS WILL BE ASSIGNED VERBALLY. Plan to bring your registration fees to the Convention and register on site at the Dallas Convention Center. NOTE registration fee increase for on-site registration.

CANCELLATION POLICY

The following policy applies to cancellations prior to the Convention: UP TO 6 WEEKS (Till Dec. 23, 1983)—\$5.00 Cancellation Charge Per Person; 4-6 WEEKS (Dec. 27, 1983-Jan. 6, 1984)—75% Refund; 2-4 WEEKS (Jan. 9-Jan. 20, 1984)—50% refund; 0-2 WEEKS (Jan. 23-Feb. 3, 1984)—NO REFUND; CANCELLATIONS MUST BE PHONED IN TO THE NADA HOUSING OFFICE AND FOLLOWED UP IMMEDIATELY BY A LETTER REQUESTING REFUND. THERE CAN BE NO EXCEPTIONS TO THIS CANCELLATION POLICY. NADA Housing will notify the hotel when you cancel your registration.

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☐ Manager ☐ Allied Ind./Mfr.

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INITIAL

LAST NAME

SPOUSE'S FIRST NAME, IF REGISTERED

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2nd _____

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☐ SUITE-1 BEDROOM

REMARKS _____

☐ SUITE-2 BEDROOM

SUITE PRICE

RANGE _____

ARRIVAL DATE

DEPARTURE DATE

84

02

84

2 CHECK ONE: ☐ Dealer ☐ Spouse/Other
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NOTE: USE NAME YOU WANT ON YOUR BADGE

FIRST NAME

INITIAL

LAST NAME

SPOUSE'S FIRST NAME, IF REGISTERED

HOTEL PREFERENCE

ROOM TYPE

1st _____

☐ SINGLE

2nd _____

☐ DOUBLE

3rd _____

☐ SUITE-1 BEDROOM

REMARKS _____

☐ SUITE-2 BEDROOM

SUITE PRICE

RANGE _____

ARRIVAL DATE

DEPARTURE DATE

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02

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REGISTRATION FEES

DISCOUNT POSTMARKED BY DECEMBER 23, 1983

Dealer @ \$75.00 \$ _____
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Allied Industry/Manufacturer @ \$75.00 \$ _____
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OF FORM

AFTER DECEMBER 23, 1983

Dealer @ \$95.00
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Spouse/Other @ \$60.00

NOTE: Pay on-site at Convention Center

IMPORTANT: The REGISTRATION FEE covers the cost of the business program and MUST be received before hotel reservations can be confirmed. Registration forms and checks are date-stamped when received by NADA Accounting Department. Hotel rooms are then assigned on a first come, first served basis, according to availability.

Make check payable to "NADA Convention" and return with this form to:

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R/C		REMARK INFORMATION								R/C		REMARK INFORMATION							

SPECIAL CONVENTION ROOM RATES

HOTEL	SINGLE OR DOUBLE	1-BEDROOM SUITES
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4. Dallas Regent	\$60	---
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9. Holiday Inn Downtown	\$60	---
10. Hyatt Regency Dallas	\$89	\$250-500
11. Loews Anatole	\$90	\$225-300
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14. Sheraton- Dallas	\$80/90	\$175-225
15. Sheraton Inn-Mockingbird West	\$70	---
16. Wyndham	\$75	\$150

All hotels require a one night's deposit ONLY IF YOU ARE GOING TO ARRIVE AFTER 6:00 P.M. Send deposits for late arrival direct to the hotel, not to NADA.

IMPORTANT—PLEASE READ

- Rates listed above do not include a 7% room tax. These are firm NADA special Convention rates. Your room rate will be within the range quoted on those hotels with more than one rate listed, and dependent upon the type of accommodations available upon check-in at the hotel.
- Your registration form and fees must be postmarked NO LATER THAN DECEMBER 23, 1983 to be accepted at the discount registration fees of \$75 for dealers and allied industry/manufacturers; \$65 for dealership managers; and \$50 for spouses. If they are postmarked after December 23, 1983, they will be returned to you. You can phone NADA Housing (703) 821-7143 to make your hotel reservations, but you must pay your registration fees over-the-counter at the Dallas Convention Center at the higher fees of \$95 for dealers and allied industry/manufacturers; \$85 for dealership managers; and \$60 for spouses.
- If your spouse is a dealer or dealership manager and desires to participate in the workshop program and receive those credentials rather than credentials for the Life Style Center, please be sure to register your spouse in the proper category. Changing your registration category on-site will cost more than in previous years.
- Pre-Convention registration will be open at the Dallas Convention Center on Friday, February 3, 1984 from 1:30 p.m. to 5:00 p.m.

Personal Development

Long ago I learned the value of personal development and the importance it plays in selling yourself. Unless you make an effort to grow and develop at your work, none of the principles involved in selling yourself will have the impact you want and need in order to attain the heights in your career. And selling automobiles is a very rewarding career; you know that or you wouldn't have chosen it.

Here are some of the principles I followed, principles which I'm certain will be of great benefit to you as an automobile salesperson. They fall under two categories: setting goals and improving salesmanship.

Setting goals can help you attain sales records that up to now you may have only dreamed about. Salespeople who get ahead do not "run in place." They establish goals and put out every ounce of effort to reach these goals. Your goals can be both long- and short-term, but it's important to remember that they should be realistic and attainable.

Long-term goals are dependent upon the successful reaching of a number of short-term goals. Some short-term goals you can strive for include:

- Increasing your sales quota that has been set either by your sales manager or yourself. This calls for extra effort, more prospecting, more time on telephone, more demonstration rides, more time on the sales floor. It's amazing what you can achieve if you decide to put in an extra half hour each day, or pay a bit more personal attention to the new owners, or follow through on every sale.

- Sharpen your product knowledge. This means boning up not only on the vehicles you sell but on the competitive makes as well. Know the answers or have them at your fingertips. Be able to talk intelligently about the features on your cars and what they mean in terms of fuel efficiency, power and performance, comfort and convenience, and safety. And be able to make competitive comparisons in your favor to convince the prospect who's been shopping around.

- Establish a positive image in your dealership. Make sure prospects and customers know you and ask for you. Be friendly, warm, knowledgeable, helpful and indispensable. Spread that image beyond the dealership and into your community. Make sure you always keep your promises and never let a customer down.

Once you begin working on these short-term goals, you'll soon see how they can help you achieve some long-term goals. These long-term goals could include becoming the most respected automobile salesperson in your town or local area; greater monetary compensation; becoming a manager (the new or used car sales manager or the general manager); and becoming a dealer.

The important thing to remember is to always set goals for yourself, whether short- or long-term. And as you achieve them, they become benchmarks in your personal development.

My second category is salesmanship. Personal develop-

ment means that you should never slacken your efforts to improve your selling ability. Here are six simple principles that are bound to be of help:

1. Understand your customer. Size up each one to learn if he's a credit risk, if he may be unaware of his real needs, if he's just price-shopping, if he's playing you off against your competition. No customer is safely yours until you've found out what his "hot buttons" are; no deal is clinched until you've clinched the prospect first.

2. Speak the customer's language. Talk to him on *his* terms. Appeal to *his* emotions. Talk in terms of *his* needs and interests, not yours. Tailor your sales presentation to his questions. Never talk down to him. Use words that don't confuse him, words that mean exactly what they say.

3. Use sentences and phrases that work for you, ones that pack a lot of sales punch: "extra economical;" "long-term investment;" "the roominess you want;" "performance that puts you in front;" "traction when you need it." Phrases such as these help turn ordinary sentences into sentences that sell. Once you've created a few, memorize them and use them often. Think how much more sales-power there is in a phrase such as "this car will get you through snow and ice, sand or mud, with less trouble," than "this car has front-wheel drive."

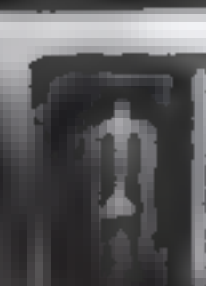
4. Put the prospect into the act and make him part of the sale. Put him into every showroom presentation. Selling is a two-way street. Be sure he or she sits in the car, front seat and back, to get the feel of roominess. Give the prospect the keys and let him open the trunk. Have him raise the hood. Let him close the car doors to hear the solid sound. And, most important of all, let him get behind the wheel on a demo drive to experience the driveability of the vehicle first-hand.

5. Don't argue. An argument is a lost sale. Even if you're in the right, you won't win. Arguments may arise over trade-in allowance, price, options, color, almost anything. Avoid getting into arguments by listening carefully and getting all the facts and the prospect's point of view. Agree when you can and keep silent when you can't. Remember the golden rule of selling, "the customer is always right," even if he's wrong.

6. Don't buy back the car. Don't oversell. I've seen many a salesperson lose the deal because he kept repeating his sales talk. A customer usually signals you when he's getting close to or ready to buy. Watch for such phrases from customers as "When can I pick up the car?" or "You're sure this is the complete price?" or words that play back features and benefits and advantages to you. That's the time to keep your mouth shut, listen carefully and pull out the order blank.

Personal development is the key to selling yourself. It's the most personal thing you can do, because selling yourself is strictly dependent on you. □

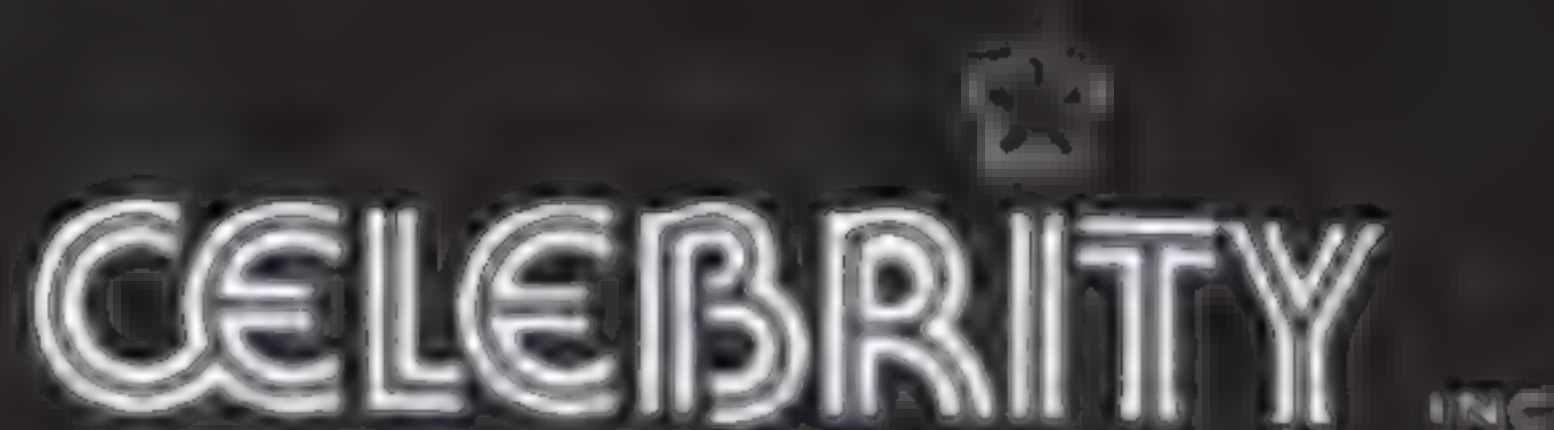
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Legal Briefs

U.S. Supreme Court To Study Intracorporate Conspiracy Laws

An issue of interest to dealers will be addressed by the U.S. Supreme Court when *Copperweld Corp. vs. Independence Tube Corp.*, 543 F. Supp. 706 (N.D. Ill. 1982), *aff'd.*, 691 F.2d 310 (7th Cir. 1982), *cert. granted*, No. 82-1260, 51 *U.S.L.W.* 3893 (June 21, 1983), is reviewed next term. The case concerns the legal standard used to determine whether a corporation can conspire to violate the antitrust laws with its wholly owned subsidiary. The issue of intracorporate conspiracy affects all dealers who attempt to sue manufacturers and their subsidiaries under the antitrust laws. This is because an element of proof required for recovery under these laws is that the companies be separate entities and, therefore, capable of conspiring.

The original decision of the federal district court in the *Copperweld* case held that a steel tubing manufacturer (Copperweld) and its wholly owned subsidiary (Regal) conspired to violate the Sherman Act by keeping a competitor (Independence) out of the steel tube business. The court found that the entities were separate enough, despite common ownership, to have conspired. The jury awarded damages to Independence of \$2.5 million on the antitrust claim and \$15,000 on a commercial defamation claim in the same case.

On appeal to the U.S. Court of Appeals for the Seventh Circuit, the decision was affirmed. The Seventh Circuit, therefore, joins the Eighth and Ninth Circuits in applying a "practical relationship" test and focusing on the relation between the parent and subsidiary companies. The Supreme Court now has the opportunity to clarify this area of the law. In a brief to the Supreme Court, the U.S. Department of Justice has recommended that the intracorporate conspiracy doctrine be abolished.

Further case developments will be reported in this column. ■

Federal Warranty Law Does Not Provide Automatic Injunctive Relief

When a customer sued a manufacturer for an injunction under the Magnuson-Moss Warranty Act, an Illinois State Court was called upon to decide whether the injunction was appropriate in the absence of a showing of the traditional proof required for that equitable remedy. The customer, who had repeatedly sought to have her vehicle repaired, requested a replacement when repair attempts failed. The customer eventually sued for a mandatory injunction to require compliance with the written terms of the warranty, which promised a replacement or the cash equivalent. The court ruled that an injunction was not appropriate in this case because no proof was offered to support the claim for injunctive relief. The customer did not show irreparable harm that the legal remedy was inadequate (*Sadat vs. American Motors Corp.*, Illinois App. Ct., No. 82-1052, May, 31, 1983).

When appealed, this ruling was affirmed by the Illinois Appellate Court. Although this particular case was not granted an injunction, a consumer who successfully brings an action under the act by proving irreparable harm may be awarded costs and attorneys fees. The act also allows consumers with complaints such as this to combine their claims into a class action to meet the jurisdictional requirements for filing in federal court. The plaintiff's contention that the act did not provide effective methods to enforce the terms of warranties was not granted by the court since other remedies are available under the act. □

This column is prepared by the Legal Group of the National Automobile Dealers Association. Because this column is national in scope, the discussion of cases and legal problems is necessarily limited and general. When specific legal questions arise, you should consult a competent attorney in your state. For further information or questions concerning the items appearing in this column, write: Legal Briefs, NADA Legal Group, 8400 Westpark Drive, McLean, VA 22102-3591.

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(For more information circle #23)

Fringe Benefits

H.R. 3525, the "Permanent Tax Treatment of Fringe Benefits Act of 1983," was introduced by Rep. Pete Stark (D-9-CA) and Rep. Barber Conable (R-30-NY). The bill was referred to the Subcommittee on Select Revenue Measures of the House Ways and Means Committee. NADA President William C. Turnbull testified before that subcommittee on August 1, 1983. The text of that testimony is excerpted below.

"While this bill addresses a number of areas with respect to fringe benefits, we are primarily interested in the provisions which relate to the use of a demonstrator automobile or truck by a salesperson employed by an automobile dealership; we would also like to comment briefly on the provisions relating to 'qualified employee discount.' At the outset, let me indicate that we think these provisions have been structured in a responsible and realistic manner and we support them.

"For a number of years there has been a good deal of debate regarding the proper tax treatment of the use of demonstrators by automobile and truck salespersons. The basic question, of course, has been whether the use of a demonstration vehicle by an automobile salesperson constituted the type of economic benefit that should be included in the gross income of that salesperson and, therefore, subject to taxation. Collateral questions regarding the proper valuation of that alleged benefit and the responsibility of the dealer to withhold tax on the asserted value of the benefit have also been subjects of this debate.

"Both dealers and their salespersons have consistently taken the position that the use of a demonstrator properly should not be treated as the type of benefit that constitutes income to the salesperson under the Internal Revenue Code. The use of demonstration vehicles has evolved over the years as a necessary mechanism in the business of merchandising new cars and trucks. A demonstrator allows prospective buyers to have the opportunity to drive the type of vehicle the dealer sells while at the same time allowing the dealer to maintain an inventory that is basically mileage-free.

"The great majority, if not all, dealers enter into agreements with their salespeople prior to assigning them a demonstration vehicle. There is no uniform agreement that is used by all and the provisions contained in these agreements may vary. It should be noted, however, that the vehicles that are designated as demonstrators continue to be a part of the dealer's inventory and are for sale at any time. Consequently, the common thread running through these agreements are provisions which relate to the immediate merchantability of these cars and prohibitions on activities by the salespeople which would depreciate their value. Other provisions relating to insurance, gas, financial responsibility in the case of an accident, etc., may also be addressed in these agreements. In addition, it is important to note that the dealer makes the choice of which

cars will be used as demonstrators. Even more important, the salesperson cannot refuse the use of a demonstrator. The use of a demonstrator is a very necessary incident of the business of selling new cars and trucks. In short, it has long been our position that any personal benefit to a salesperson from the use of a demonstrator is merely collateral to the real purpose of using demonstrators and should, therefore, have no tax consequences.

"The provisions of H.R. 3525 which deal with the question of the use of demonstrators by automobile and truck salespersons are in basic accord with our position on this issue. Consequently, we have only a few suggestions. We have noted that the term 'sales area' as used in this provision is not a defined term. We think that this is proper since a 'sales area' may vary depending on the location of a particular dealership. However, we think that unnecessary confusion might be avoided if the committee report on this bill makes it clear that the term 'sales area' relates to the geographical area in which the dealer sells cars and not merely the premises of the dealership.

"We have also noted that the term 'substantial restrictions on personal use' is not a defined term. Again, we think that this is proper since it may vary depending on the particular circumstances involved. However, once again, in order to minimize confusion in the future we would hope that the committee report would include the type of explanation that was included in the introductory remarks on this bill regarding what would be considered 'substantial.'

"I would like now to briefly address the provisions of the bill relating to qualified employee discounts. Many dealers allow their employees to purchase new cars and trucks at a discount. In addition, many dealers allow employees discounts on parts and service. We feel that this type of benefit helps solidify employee-employer relations and helps demonstrate loyalty to the dealer's product. We strongly feel that the employee should not be taxed on the receipt of this type of benefit. Therefore, we fully support the 'qualified employee discount' provisions of H.R. 3525. In the case of automobile dealers and their employees, we are unaware of cases in which such discounts exceed '20 percent of the price at which the property or services are being offered by the employer to customers who are not employees.'

"In conclusion, we are in full agreement with the basic concepts contained in the provisions relating to the use of a demonstrator by an automobile salesperson, as well as in the provisions relating to qualified employee discounts, and we intend to support them." □

This column is prepared exclusively for **Automotive Executive** by the Legislative Division of the National Automobile Dealers Association. All comments or questions pertaining to this column should be mailed to: **On The Hill, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.**

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Used Car Guides

I earn my daily bread as executive editor of the *NADA Used Car Guide*, so I am not about to sell used car guides short, no way. However, I might say their usefulness is no substitute for good judgment.

I assume people actively trading in used cars know pretty well what their makes and models are worth on the market. Some used car dealers specialize in a limited number of makes and models and they know the market in those cars.

Obviously, I am leading up to something. I drop in on a few wholesale auctions, not so much to check on the values of the individual cars going through—all but impossible at a busy, multi-lane auction—but rather to get a feel for the overall market, to pick up the mood

of the dealers present. I am always curious when I see dealers spending more time studying a used car guide than checking out the car in which they are interested. There may be many reasons why sellers offer cars at auction, but I suspect the only reason why buyers bid on them is because they hope to sell them at a profit. I assume they know the local market and their own inventories and would be inclined to buy what they believe they can sell, at a profit. If they don't know what they can expect to get for the car at retail, it seems only logical they wouldn't know what to pay for it either. No used car guide is infallible. Yes, I know, they are really checking on loan value.

I think what we should keep in mind is that all used car guides report histori-

cal data or forecast based upon historical data. I know of no used car guide which reports "last week's results" and, even if that were possible, it is still historical. Carry this one step further: the commonly accepted used car guides state they rely, to one degree or another, upon wholesale auto auction results—what the dealers buy and sell for today becomes the data upon which the next book is based. So, do we base a book upon a book? I think not.

So, what can happen in a week or two which might have a significant effect on used car values? Well, for openers, how about a change in interest rates? How about a major recall on fairly late-model cars? Locally, how about a plant closure or massive lay-offs? Unusual weather, floods, etc.? Even if the used car guide accurately reflected market values at the time specified, you still must be aware of other market influences occurring at the time.

Fortunately, human memory is brief—at least for events we did not enjoy. This possibly explains why "experts" who really blew it are still being quoted as experts. No one has been more wrong than those presumed-to-be authorities in petroleum products. By this time, gasoline was to have passed the \$2 per gallon mark, remember? Given the market values today, big cars versus little cars, you would be astonished to look at used car guide values of just a few years ago, 1979 and early 1980—unless you remember the uncertain fuel availability of that period.

Those of you buying used cars in the wholesale market are really buying used car futures. I thought the wholesale market, at least at the auctions, was a bit strong this summer, volume-wise, and I am curious. Consignments were up and sales were pretty good. As a rule, the seller has done a little more homework than the buyer and I wonder, is the market telling us something? ☐

This column is prepared exclusively for *Automotive Executive* by James "Harry" Lawrence, editor of the *NADA Official Used Car Guide*. All comments or questions pertaining to this column should be mailed to: *Used Cars, Automotive Executive*, 8400 Westpark Drive, McLean, Virginia 22102-3953.

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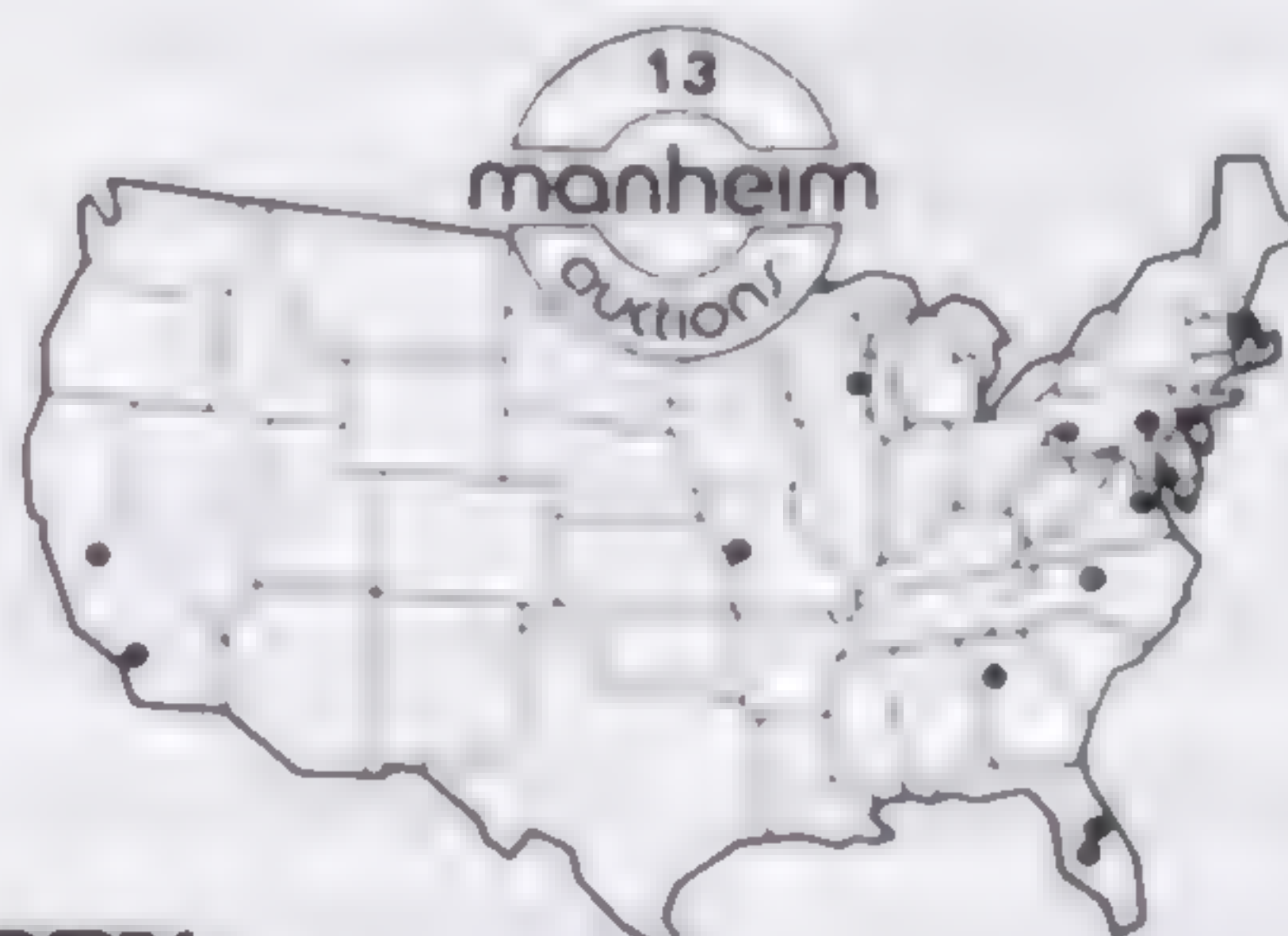
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Camden 609/662-6700 Philadelphia 215/923-1090
- 3 FREDERICKSBURG AUTO AUCTION, Fredericksburg, Va. 22401
Sale Thursday Phone 703/898-4300
- 4 KANSAS CITY AUTO AUCTION, Kansas City, Mo. 64127
Sale Wednesday Phone 816/241-2614
- 5 LAKEVIEW AUTO AUCTION, Lakeland, Fla. 33802
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Sale Thursday Phone 404/762-9211
- 7 HIGH POINT AUTO AUCTION, High Point, N.C. 27261
Sale Tuesday Phone 919/886-7091
- 8 BUTLER AUTO AUCTION, Gibsonia, Pa. 15044
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- 9 METRO MILWAUKEE AUTO AUCTION, Caledonia, Wis. 53108
Sale Wednesday Phone Caledonia 414/835-4436
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- 11 FRESNO AUTO DEALERS AUCTION, Fresno, Calif. 93706
Sale Thursday Phone 209/268-8051
- 12 CALIFORNIA AUTO DEALERS EXCHANGE, Anaheim, Calif. 92803
Sale Wednesday Phone 714/996-2400
- 13 AMERICAN AUTO AUCTION, Walpole, Mass. 02081
Sale Tuesday Phone Boston 617/329-4955 or 329-4956
Walpole 617/668-9139



(For more information circle #15)

Calendar

September

6 to 11. Oklahoma Automobile Dealers Association Convention, Hyatt Del Monte, Monterey, CA

13. Wisconsin Automobile & Truck Dealers Association Convention, Holiday Inn, Stevens Point, WI

22 to 25. National Tire Dealers and Retreaders Association Annual Convention and Trade Show, St. Louis, MO

23 to 30. Automobile Trade Association of Maryland Convention, The Hotel Vier Jahreszeiten, Munich, Germany ■

October

4 to 6. Electric Vehicle Council Expo '83, Hyatt Regency Hotel, Dearborn, MI

9 to 12. Automotive Parts Rebuilders Association Exposition, Hartford Civic Center, Hartford, CT

13 to 18. New Jersey Automobile Dealers Association Convention, Boca Raton Hotel & County Club, Boca

Raton, FL

20 to 22. Montana Automobile Dealers Association Convention, The Outlaw Inn, Kalispell, MT

27 to 29. Truck Body & Equipment Association Convention & Exhibit, Stouffer's Riverfront, St. Louis, MO

27 to 30. New York State Automobile Dealers Association Convention, Vista Hotel, New York, NY ■

November

2 to 4. SEMA/Auto Internacional Show, Las Vegas Convention Center, Las Vegas, NV

2 to 5. Florida Automobile Dealers Association Convention, Contemporary Hotel, Lake Buena Vista, FL

3 to 9. Utah Automobile Dealers Association Convention, Kauai Surf, Kauai, HI

5 to 13. South Florida Auto Show, Miami Beach Convention Center, Miami

Beach, FL

6 to 10. SAE Truck & Bus Meeting & Exposition, Stouffer's Inn on the Square, Cleveland, OH

17 to 20. Hawaii Automobile Dealers Association Convention, Sheraton Waikoloa, Kona, HI

18 to 20. International Auto & Truck Show, San Antonio Convention Center, San Antonio, TX

27 to December 2. Minnesota Automobile Dealers Association Convention, Contemporary Hotel, Lake Buena Vista, FL

29 to December 2. Recreation Vehicle Industry Association's Annual RV Show, Kentucky Exposition Center, Louisville, KY ■

December

3. Cleveland Automobile Dealers Association Convention, Crawford Auto Aviation Museum, Cleveland, OH □

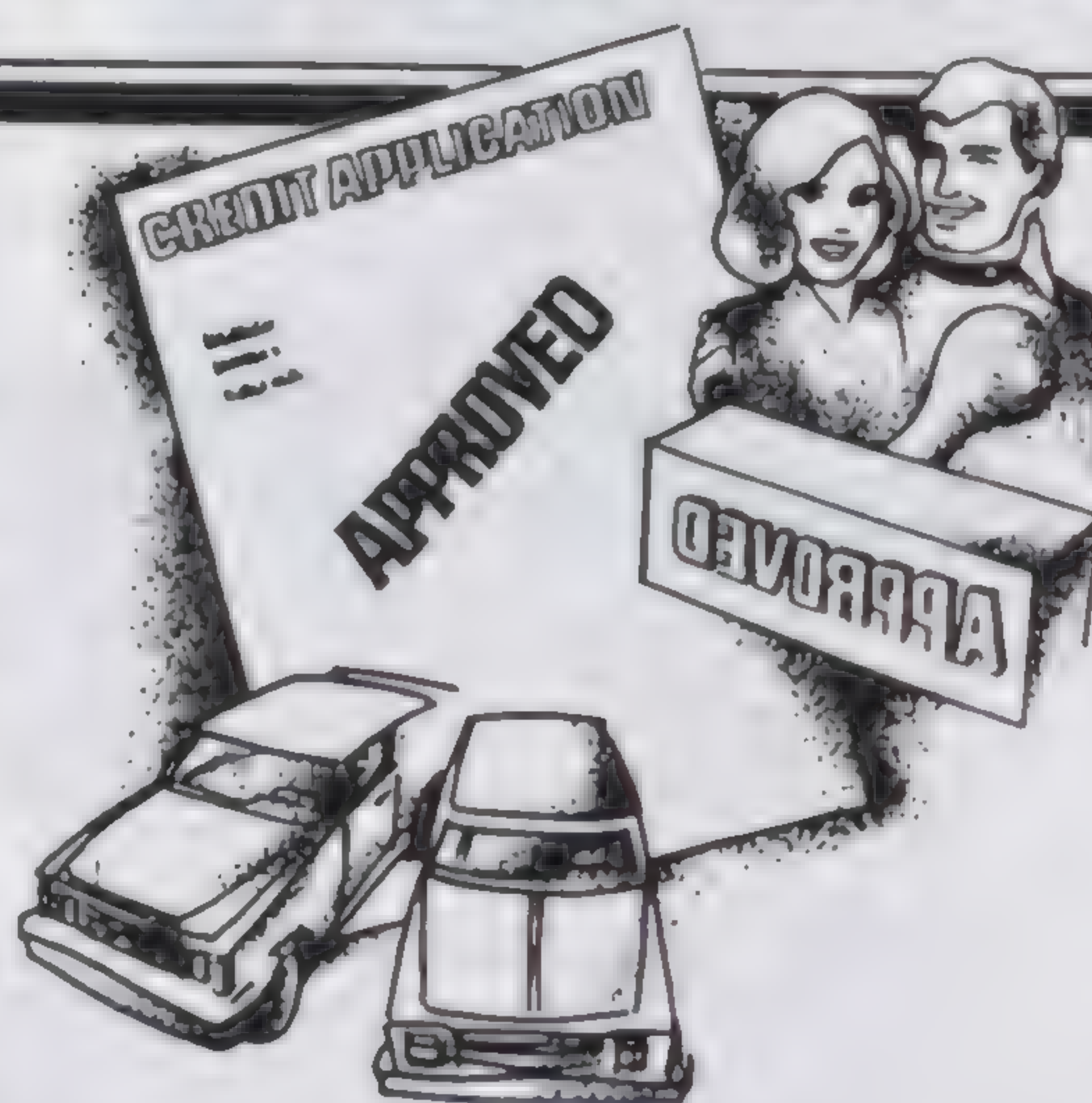
Financing for more of your deals. Faster.

With over 60 years experience in auto financing, BarclaysAmerican knows how to make a deal work. And that means fewer turndowns and more sales for you. How do we do it?

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(For more information circle #3)

A Railroad Threat To Trucking?

For the past few years, the railroad industry has tried to get the tax burden on trucks increased. They have had some success. Some dealers fear that higher truck taxes will take freight away from trucks. And with that would go a drop in truck sales. Although the railroads' anti-truck campaign has had negative effects, it is unlikely that a serious competitive disadvantage will result.

The railroads have been pushing for higher truck taxes for decades, but more intensely in recent years. Well-funded and heavily staffed task forces worked to affect truck tax policy on the state and national levels. They convinced key federal officials that much of the cost of highway damage that is not allocatable to any particular class of vehicles should be assigned to heavy trucks. That resulted in the higher heavy truck taxes included in the recent highway tax bill. The railroad task forces also have been somewhat successful on the state level.

The trucking industry is mounting an intensive counter-campaign. To improve coordination and effectiveness of the various interest groups in the trucking industry, the Truck Industry Alliance has been formed. This group includes trucking companies, manufacturers, dealers, shippers, unions and others. ATD is participating in the group, and ATD chairman Art Irwin serves on the steering committee. A major goal of this alliance is to improve the industry image in all areas, and to counteract the railroad programs.

But despite these recent counter moves, heavy truck taxes have already been increased, and may be increased further. The competitive impact must be evaluated. That impact may not be serious for two basic reasons: 1) railroads have basic competitive limitations; and 2) the cost differential changes brought about by the higher taxes are small.

The rails are limited in their ability to compete with trucks because they depend on a high concentration of traffic

flow from one point to another to move freight efficiently. Higher truck costs (from higher taxes) will make the rails more competitive, but only slightly so. Outside of these major corridors, the railroads are at a tremendous cost disadvantage (for truck-load size shipments) compared to trucks, and are incapable of matching truck service at any cost.

The cost increases brought about by the higher taxes are nowhere near the size needed to give the railroads any new competitive edge. The combined impact of all the new federal taxes will increase over-the-road truck costs by about one half of one percent. Countering this small increase is the truck industry's new, liberalized size and weight limits (and the allowance of twin trailers nationwide) in conjunction with the higher taxes. These higher limits will lower costs and make truckers more competitive with the railroads. The rail industry views the adoption of these new limits as a major setback. In addition, the rail unions are powerful enough to demand a large share of any gain the rail industry might obtain from higher truck taxes, thus nullifying the competitive effect of the gain.

So, even though the rail's anti-truck campaign has had negative effects, it won't result in the railroads taking much (if any) freight from trucks. But the campaign needs to be countered because these higher truck taxes will decrease the demand for transportation and trucking.

Media, politicians and the general public have a negative image of the trucking industry, and the railroads' attack on our industry only aggravates the problem. The trucking industry needs to focus on improving its image in all aspects, rather than just counter-attacking the railroads. □

This column is prepared exclusively for **Automotive Executive** by David Paxson, director of NADA's American Truck Dealers Division. All comments or questions pertaining to this column should be mailed to: **Truck Focus, Automotive Executive**, 8400 Westpark Drive, McLean, VA 22102-3593.

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(For more information circle #22)

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(For more information circle #7)

Showcase: What's New On The Market

The **Perma-Gauge** allows easy and quick checks of tire pressures without the use of hands. The product screws on any tire valve or threaded valve extension and registers all tire pressures between 15 and 38 pounds. Manufacturer: Prime Tyme Products Co., Wichita Falls, TX.

(For more information circle #81)



A new, concentrated **cleaner**, effective on the inside and outside of cars, is available from Total Systems Technologies. According to the manufacturer, the product changes capabilities as the dilution changes. It is a combination of alkalis that remove dirt, grease, oil and other contaminants from paint surfaces, whitewalls, interiors, vinyl tops, carpets and more. Manufacturer: Total Systems Technologies Inc., Pittsburgh, PA.

(For more information circle #82)



Panelbloc Corp. says its **infrared unit heaters** can cut fuel consumption by as much as 60 percent, be fueled by either natural or LP gas, are easy to install and economical to operate. Infrared heaters heat objects, not air, so the heat is focused directly where it is needed and is not lost. Manufacturer: Panelbloc Corp., Cleveland, OH.

(For more information circle #83)



The Cederroth **first aid wall panel** comes complete with three multi-functional dressings; a patented adhesive bandage dispenser, with both woven and plastic strips; and an antiseptic wound wipe dispenser, filled with individually wrapped wound towelettes. First aid instructions and room for emergency phone numbers are also included. Manufacturer: Cederroth Inc., Englewood, CO.

(For more information circle #84)

Broadway Equipment Co. says that its **automated prep center** offers dealers an alternative to pure warranties and provides customers with a lifetime of service. New car buyers are advised through periodic customized mailings to return to the dealership for free renewals of the exterior shine, thus building service volume with specials and customer loyalty. Labor needed to provide this service is minimal, with all the work being done by automated equipment. Manufacturer: Broadway Equipment Co., Minneapolis, MN.

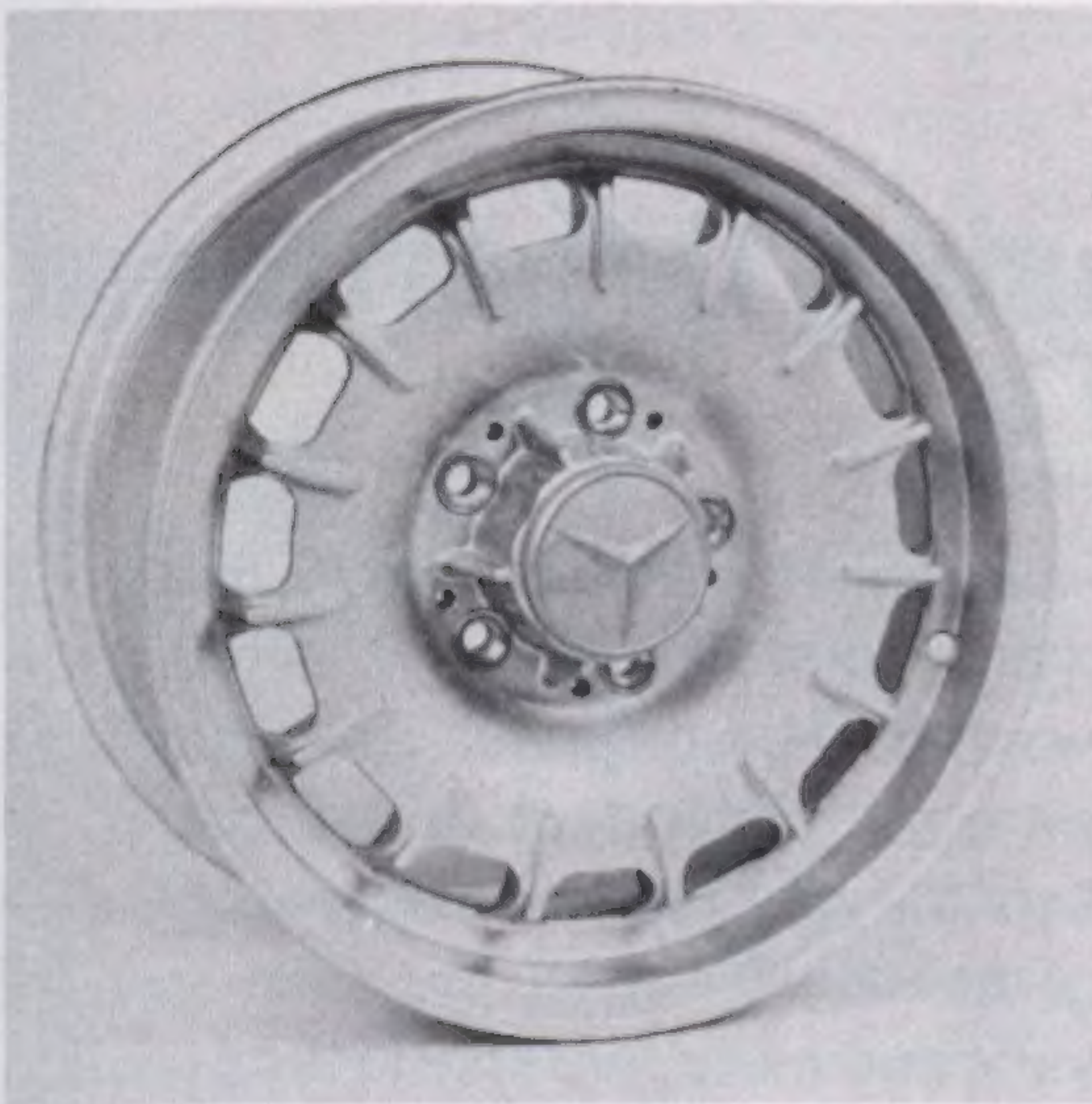
(For more information circle #85)



Goodyear is introducing its all-terrain, all-season **Wrangler radial tire** for light trucks. Goodyear says this new tire provides improved cornering and stability, traction and fuel economy. Manufacturer: Goodyear, Akron, OH.

(For more information circle #86)





Electrodyne Inc. is introducing a line of original equipment-style replacement **road wheels** for assorted Mercedes-Benz models. The wheels come complete with lug bolts and center hubcaps and are available in sizes 6 x 14 inches, 6 1/4 x 14 inches and 7 x 15 inches, allowing owners to use wider wheel and tire combinations than those found as original equipment. Manufacturer: Electrodyne Inc., Alexandria, VA. ■

(For more information circle #87)



A new line of ready-to-ship commercial **office work stations** that provide an economical solution to the office needs of smaller and middle-sized firms is being introduced by Tradex Inc. According to the company, the work stations offer visual and acoustical privacy, allow efficient storage and put work materials and equipment within easy reach. Manufacturer: Tradex Inc., a subsidiary of Herman Miller Inc., Zeeland, MI. ■

(For more information circle #88)

Winnebago Industries Inc. is introducing a new **utility van** that gets up to 24 miles per gallon and features an interior stand-up height of six feet. It has a 430 cubic foot capacity and a 2,155 pound payload. The van, built on Winnebago's new front-wheel-drive chassis, has a 145-inch wheelbase and a GVW rating of 5,830 pounds. Manufacturer: Winnebago Industries Inc., Forest City, IA. ■

(For more information circle #89)



Krex Inc. is distributing U.S. Borax's Diesel Doctor, an automotive **antimicrobial diesel fuel conditioner**. According to the company, the product kills existing microorganisms and sterilizes diesel fuel by preventing their future growth, eliminating engine failure due to clogged filters and fuel lines and eliminating injector nozzle deposits, resulting in a reduction of maintenance costs and more efficient vehicle operation. Manufacturer: Krex Inc., Highland Park, IL. ■

(For more information circle #90)



Sportscoach Corp. of America says its 1983 Pathfinder full-size **motor home** includes many new luxury features yet retains its low price. The 27-foot vehicle sleeps six with options to add sleeping room for two more. It has an extensive list of standard features plus available options. Manufacturer: Sportscoach Corp. of America, a division of Coachman Industries Inc., Elkhart, IN. ■

(For more information circle #91)

An automotive **anti-theft system** has been developed by the Precision Controls Division of Dana Corp. The system features an alarm that activates the horn and lights, and is automatically reset after four minutes. It comes with a 20-second entry delay and can be made passive or active, depending on need. A keyboard of numbers allows the car owner to punch in a personal code. Manufacturer: Dana Corp., Precision Controls Division, Laurinburg, NC. ■

(For more information circle #92)

Iveco Trucks of North America is introducing its first turbocharged Z-range **diesel truck** to the North American market. The truck is equipped with a proven automatic transmission and a 120-horsepower water-cooled diesel engine. The first turbo in the Class III commercial vehicle category, it is certified for all states (including California) and is rated at 11,600 pounds GVW. Manufacturer: Iveco Trucks of North America, Blue Bell, PA. □

(For more information circle #93)

Information and photographs of products listed in "Showcase" have been provided via manufacturer's press releases. A product's appearance in this column in no way implies endorsement by either NADA, the NADA Services Corp., or Automotive Executive.



20~Group Ideas

Dealers are discovering a new low-cost idea for increasing sales...

HOLE-IN-ONE INSURANCE.

Golf Tournaments have always been excellent sources for automobile advertising. Golfers are usually high income leaders involved in business and civic matters.

HOLE-IN-ONE Automobile Prizes add conversational zing and excitement to local country club golfing events.

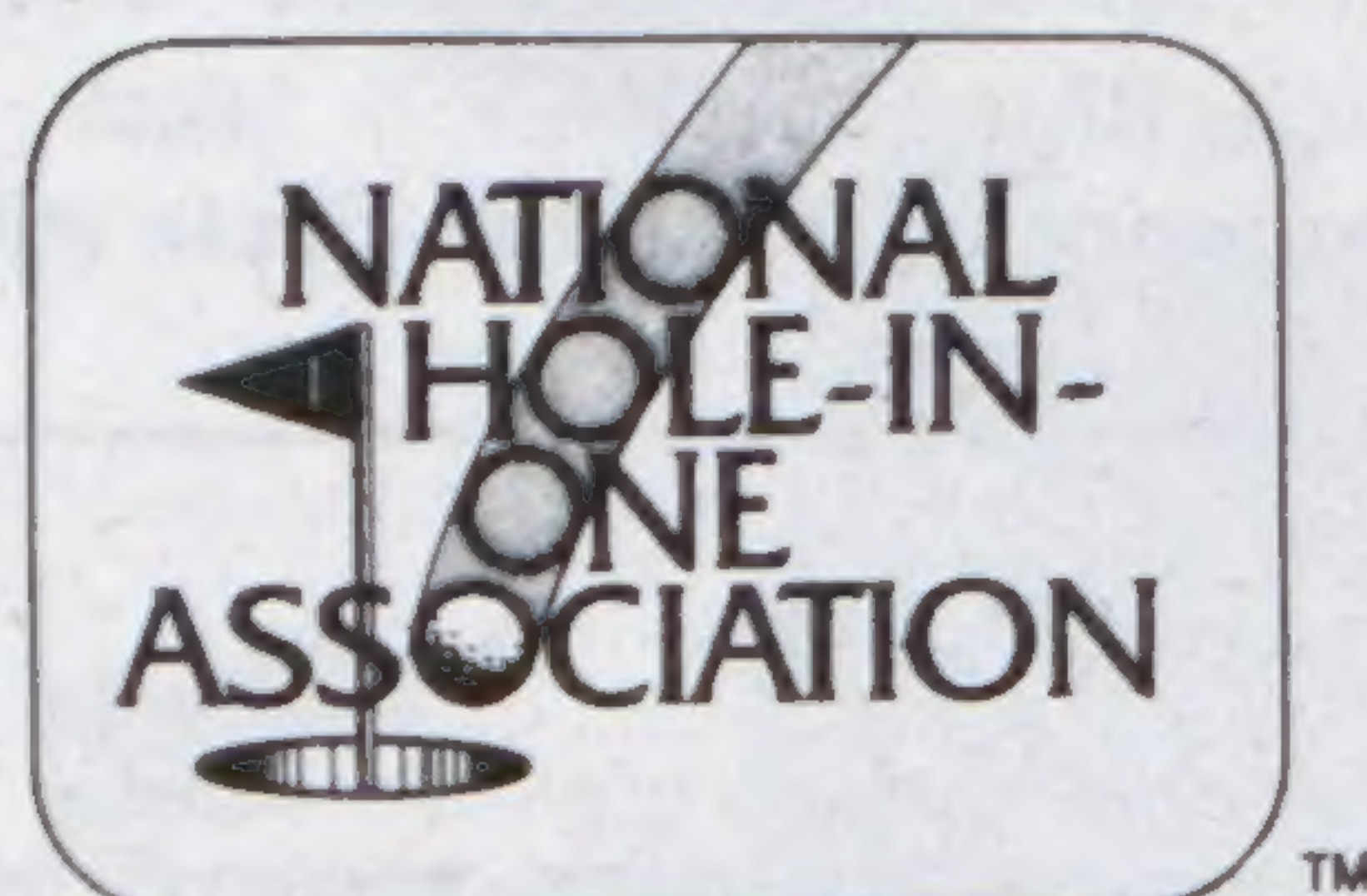
For as little as \$200 per tournament, you receive excellent advertising exposure displaying your car at the country club before and during the tournament. Should a hole in one occur, we pay the cost of the automobile and you receive all the publicity of the golfer driving away his new car.

Our association offers a low-cost Hole-In-One Prize (Group-Rated) Insurance Program. Give us a toll-free call or write for a free copy of "Tournament Director," a complete guide to maximize your golf tournament promotions.

For more information on pro and amateur events call toll free:

National In Texas
800 527-6944 800 442-6061

Local
214 691-6911



728 Campbell Centre Dallas, Texas 75206

(For more information circle #16)

Advertising The Leasing Department

A unique way to advertise the leasing department comes from Don Dockstader of Don Dockstader Motors in Vancouver, BC. He has shirt boards printed with full color ads and arranges for the local dry cleaners to insert them. One of his ads says, "Some of Volvo's happiest customers don't buy Volvos." On the back of the board is a thought-provoking quote. The shirt boards reach a potential market of professionals who benefit from leasing their vehicles.

Reaching the Female Market

The importance of the female consumer in today's market was noted in the following idea by Dempewolfe Inc., a Ford-Lincoln-Mercury dealership in Henderson, KY. The dealership held a "Ladies Only" Service Clinic from 6:00 to 8:00 p.m. on a weeknight. Newspaper ads were run three days in advance of the clinic. The office manager, warranty clerk and two female salespersons served as hosts; and the service manager, shop foreman and technicians conducted the clinic. Total cost was approximately \$250. Since the clinic, the dealership has written approximately \$500 worth of service repairs for women who attended, and has received numerous referrals for sales and service. The main benefit to the dealership has been in the form of good public relations and customer goodwill.

Moving Trades

The following system was implemented at Old Mill Toyota Inc. in Omaha, NE, to encourage the new vehicle salespeople to move their own trades. A chart was posted in the sales manager's office showing every trade that came into stock, the date and the salesperson's name. When the unit was retailed within 30 days, it was removed from the board and the new car salesperson received a credit of \$25. (This did not affect the commission of the salesperson who sold the trade.) When the unit stayed in stock over 30 days, the new car

salesperson was debited \$25. If the unit was wholesaled before 30 days, there was no debit or credit. The chart was especially important to the system. It kept the new vehicle salespeople aware of the units for which they were responsible and more sensitive to the problem of the used vehicle manager in controlling inventory. Overall, the program was a rousing success and an added incentive for the sales force.

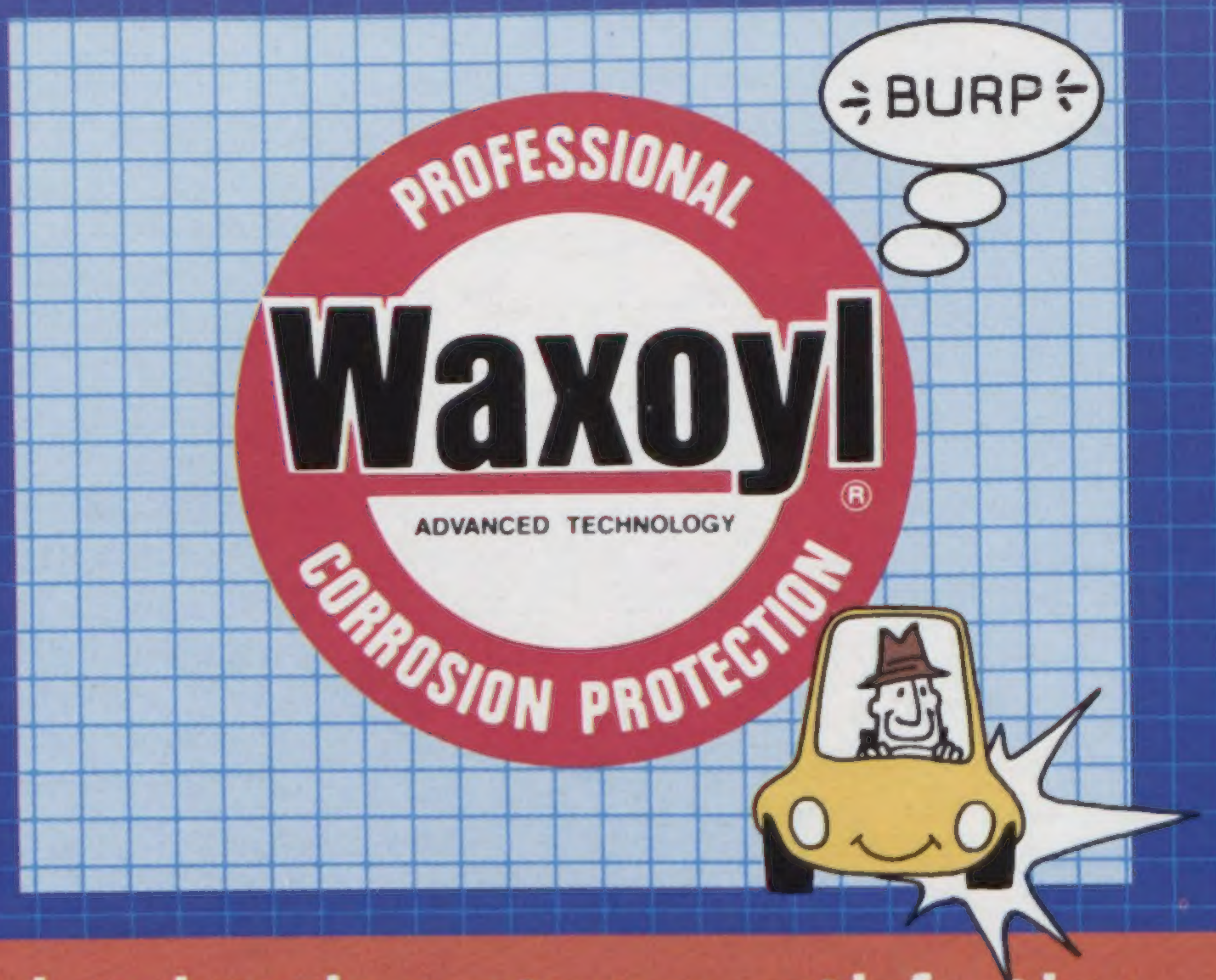
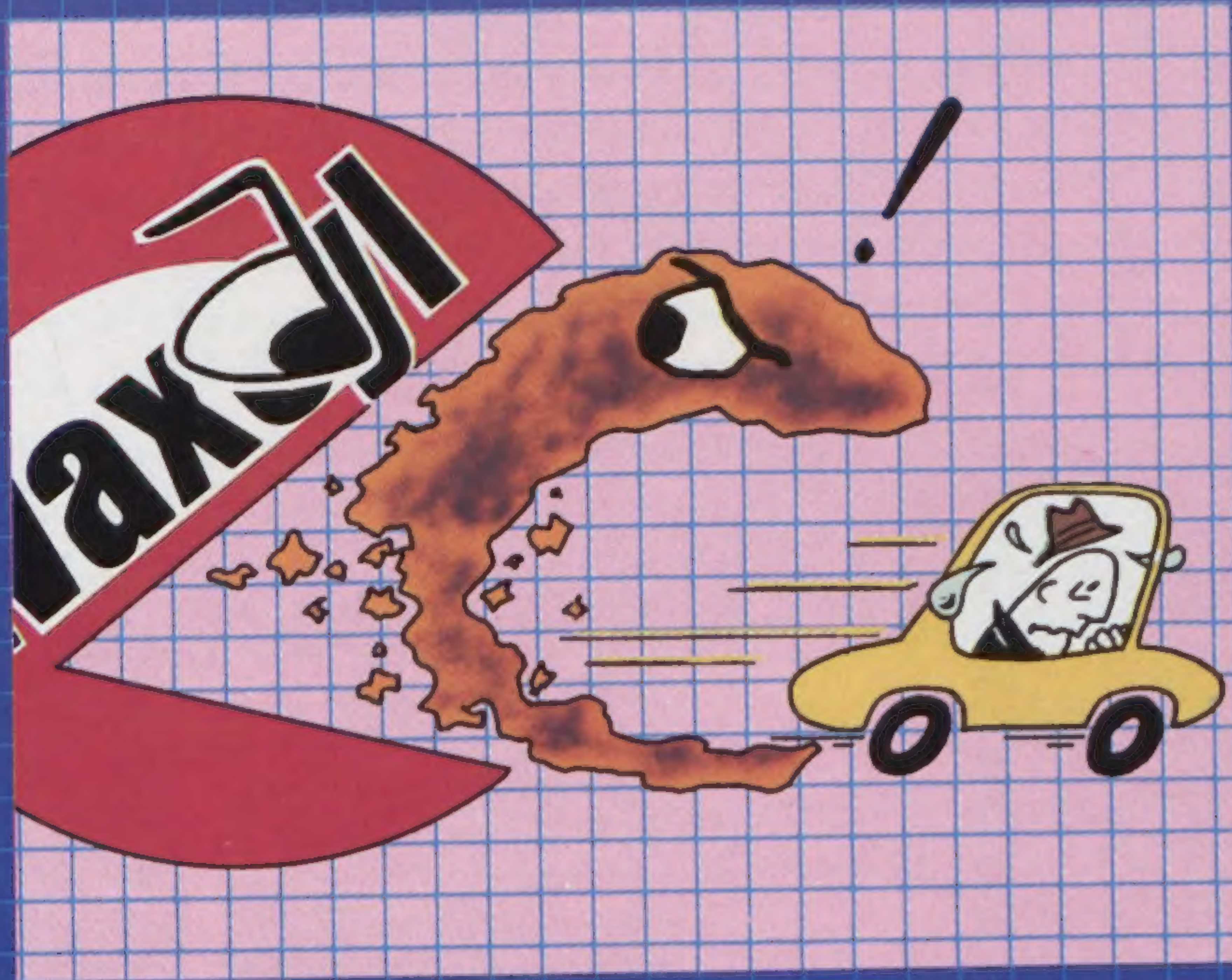
Good Advertising within a Budget

A dealership cannot afford to use an advertising agency to prepare ads for the used truck department or parts department, yet the quality of these ads should be professional. Lone Star Peterbilt Truck Sales Inc. in Dallas, TX, suggests you contact a local college or graphic arts school and request the services of a senior art student to prepare the ads. Your dealership will have professional looking advertising at a fraction of an agency's fee.

Improving Morale

Dan Durham of Dixie Olds-VW-Mazda in Hammond, LA, feels that the morale of the office staff is as important as that of the sales force. Since the sales people have bonus opportunities each month, a bonus plan was made available to the five office workers. Silver dollars were awarded, based on the number of new vehicle deliveries made in one month. When 25 new car deliveries were made, each of the office staff was awarded five silver dollars. Every time 25 more new car deliveries were made during the month, five more silver dollars were awarded to each of the office workers. If the new car delivery count for the month reached 101, each staffer received a bonus of 20 silver dollars. The office crew really became involved in the new car operation. Every day they asked the count on new car sales, motivating the sales force. Instead of dreading a stack of deals, the office staff welcomed them.

Bank On WAXOYL to Zap Rust-Man



New high-profit option with insured no-hassle customer satisfaction



CAR-LIFE RUST PREVENTIVE

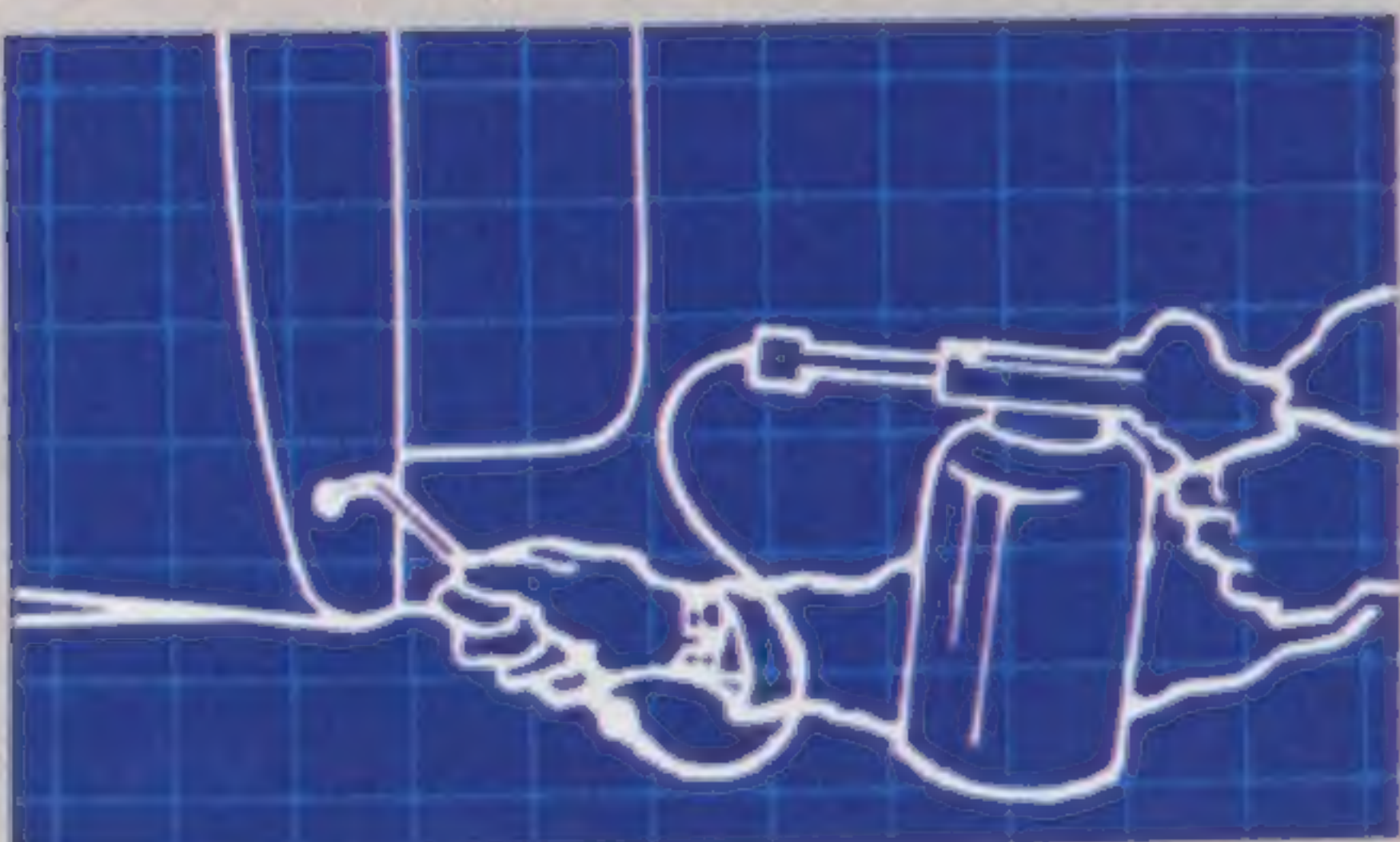
Why gamble with unproved imitations when you can be sure with the original European wax-base rust preventive?

- Proved since 1939, now a standard application for 60,000 car dealers in 104 countries worldwide
- Tested by 12 elite car manufacturers and 24 test labs
- A high-tech compound of waxes and anti-rust electrochemicals. No tar-like petroleum base. No odor, mess, drip
- No holes to drill in car, since WAXOYL

jet-atomizes to penetrate all inside body cavities, seams and welds, where rust starts, even cracks in factory galvanizing due to body flexing... inaccessible to ordinary rust preventives

- Does not depend on direct application, which can skip big areas
- No masking, no venting, no separate area needed. Use any available bay
- No clogging of drain holes, catalytic converters, wiper or window mechanisms, speakers
- Chemically reacts to stabilize rust in used vehicles.

and Double-Clinch Customer Loyalty with THE Single-Source, 4-Step Total Auto Preservation System



1. WAXOYL

Car-Life Rust Preventive [described above]. Exclusive limited car-life transferable \$2000 insured warranty for cars and trucks up to 17,500 lbs., pro-rated for used cars up to three years old.

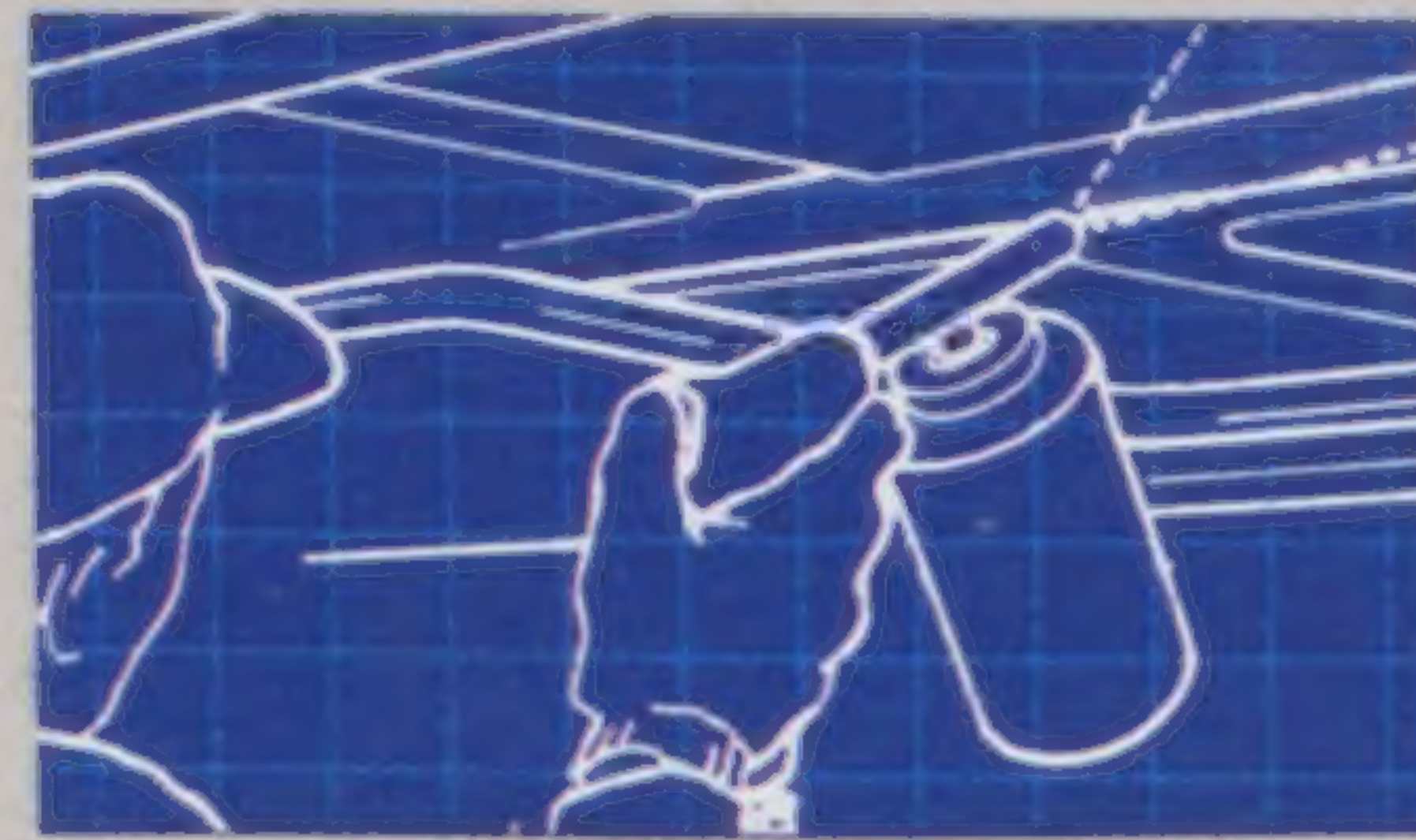
2. FAB-GARD

Upholstery Protector. Waterproof, soil-repellent. Preserves showroom newness for years. Limited warranty for three years on new cars.



3. SOUND-GARD

Undercoat Insulator. Rubberized, with rust inhibitor. Absorbs up to 60% of road noise. Extra protection against corrosion and pebble abrasion.



4. GLAZE-GARD

Paint Sealant. Glass-like armor seals out the elements, even sun-glare. Unlike others, will withstand over 100 commercial car washes... without voiding warranty. Limited warranty for two years on new cars, one year on used cars.

Servicing North America, Central America, the Caribbean, Iceland, New Zealand, and Australia with warranties computer-controlled by the auto service professionals.

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(For more information circle #26)

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SALESMAN "With this Oakleaf terminal, I can put a better deal together, easier. I always know what's in our inventory, and I'm selling more options."

DEALER "I chose the Oakleaf computer system because its State-of-the-Art technology makes it flexible, yet it is inexpensive compared to other systems. My CRT gives me greater control over my store."

LEASING MANAGER
"I like being able to structure a lease deal on my own screen until it is just right, then have the printing unit in the office do the paperwork."

SALES MANAGER
"This Oakleaf CRT lets me manage the deals better. It reduces paperwork and gives me more time to work with my sales force."



oakleaf™

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(For more information circle #17)